

Annual Report 2015/16 Financial Year



**Nketoana
Local Municipality**



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Mayor's foreword & Executive Summary



Chapter 1

Component A: Mayor's Foreword



Dear Community of Nketoana, I hereby present to you the Annual Report for the 2015/16 financial year.

The Annual Report reflects on service delivery, development achievements and challenges in the municipality for the 2015/16 financial year as well as the achievements for the previous financial year and objectives set for 2016/17. The report also highlights the planned interventions put in place to mitigate the challenges that were experienced during the financial year.

We are continuously striving to enhance service delivery to create a better life for all people of Nketoana.

This is clearly defined in our vision and mission statement.

Vision

The vision of Nketoana Local Municipality is "A municipality that will care for its residents and provide a safe and crime-free environment conducive for sustainable development."

As stated in our mission, the Municipality strives to live this by at all times attempting to:

- To foster a spirit of unity and communication in the pursuit of achieving the municipal objectives
- To provide a democratic, accountable and ethical government for the Nketoana community
- To render services in an effective, efficient and economic manner
- To promote sound and transparent financial management in accordance with legislative requirements
- To accelerate programmes that will help meet the socio-economic needs of the Nketoana residents

We, as a municipality is driven by a set of key priority areas as reflected in the Integrated Development Plan that determine our overall agenda. Objectives are set for these priority areas, which are as follow:

• IDP Priority 1	Water
• IDP Priority 2	Sanitation
• IDP Priority 3	Municipal Roads and Transport
• IDP Priority 4	Urban Planning
• IDP Priority 5	Local Economic Development
• IDP Priority 6	Institution Building
• IDP Priority 7	Refuse Removal
• IDP Priority 8	Electricity Reticulation
• IDP Priority 9	Cemeteries and Parks
• IDP Priority 10	Sport and Recreational Facilities

Key Policy Developments

Within the context of the above-mentioned vision, we are especially proud about the following achievements that we have managed to realise during 2014/15.

During 2015/2016 the following policies were developed and or reviewed:

- **Office of the Municipal Manager**
 - Policies developed
 - PMS Framework
 - Organizational PMS
 - Individual PMS
 - IDP Process Plan
- **Department Corporate Services**
 - Policies developed
 - Occupational Health & Safety Policy.
 - Incapacity Due To Ill-health/Injury Policy.
 - Induction Policy.
 - HIV/AIDS & Life Threatening Diseases Policy.
 - Sexual, Racial & Ethnic Harassment Policy.
 - Attendance & Punctuality Policy.
- **Department Community Services**
 - Policies developed
 - Integrated Environmental Management Plan (IEMP) (Draft)
 - Disaster Management Plan (DMP) (Draft)
- **Department Technical Services**
 - Policies developed
 - Electricity Master Plan
- **Department Financial Services**
 - Policy developed
 - Revenue Enhancement strategy
 - Policies reviewed
 - Indigent support policy
 - Tariff policy
 - Expenditure control policy
 - Travel and Subsistence policy
 - Supply chain management policy
 - Credit control and debt collection policy
 - Asset management policy
 - Writing off of irrecoverable debt policy
 - Banking policy
 - Budget policy

Key Service Delivery Improvements

- **Office of the Municipal Manager**
 - Functional Audit Committee
 - Establish a Risk Committee
 - Establish mSCOA Steering Committee and Project Team

- **Department Corporate Services**
 - Filling of critical, vacant posts.
 - Training of employees.
 - Supply of fleet to departments.

- **Department Community Services and LED (policies reviewed and new policies develop)**
 - Mamafubedu Sports Facility (Complete)
 - Ntha Park (Complete)

- **Department Technical Services**
 - Electricity
 - 64 Infill households were connected in Ntha Ext.5.
 - Two Substations Switchgears were upgraded (Reitz Main and Lindley Main Substations.
 - 400m, 11KV line was constructed in Ntha Ext.5, during Phase 3 Electrification.
 - 03 Electrician Apprentices were appointed.
 - Daily repairs and Maintenance of Electricity Infrastructure was being done.
 - New Roads
 - Water
 - Improved maintenance
 - Communal taps were installed where necessary
 - The quality of water and management of sanitation has improved substantially with the appointment of the Manager Water and Sanitation. Blue drop has been improved from 18.57% in 2012 to 71% in 2014.

- **Department Financial Services**
 - Revenue enhancement strategy developed and approved
 - Special intervention in order to prevent fruitless and unauthorized expenditure
 - The municipality succeeded
 - Started with financial recovery plan in cooperation with National Treasury
 - Increasing the indigent threshold to accommodate more people who were struggling with paying their municipal accounts
 - Campaigns held in different areas in order to register indigents
 - Providing Free Basic Services only to the indigents

Public Participation

Our Municipality involve our communities in our affairs by means of public advertisements of our Integrated Development Plan and Service Delivery and Budget Implementation Plan, as well as our performance plans, with specific reference to the Annual Report. We also advertise the activities of the Oversight Report and invite participation from our communities.

Our community also participate through the structures of the IDP Representative Forum and the annual IDP and budget road shows that we conduct annually.

We also conduct public engagement session when major new (or reviewed) by-laws, policies, strategic or sector plans and strategies are considered.

Remaining Challenges

- **Office of the Municipal Manager**
 - The PMS is well accepted by senior management but must now be cascaded down to lower levels of employment to experience the full benefit of a fully implemented PMS.
 - In the compilation/review of the IDP, Public Participation is always a challenge and the commitment of Council to this process is needed. The lack of several master plans in the municipality has a serious impact on the reliability assessment of the IDP.
 - Sector plans to be in place a serious concern, especially taking into consideration the compilation of the new IDP for the cycle starting 2016-2017
- **Department Corporate Services**
 - Some critical, vacant posts remain unfilled.
 - Not all employees were given training.
- **Department Community Services and LED (policies reviewed and new policies develop)**
 - Shortage of staff
 - Operating fleet not in working conditions
 - Shortage of tools, machinery and equipment
 - Shortage of dustbins for households
 - Funding that has been reduced for upgrading of sports facilities.
 - Finalization of Port Arlington township establishment
 - Acquisition of a Cemetery software
 - Late or non-funding of approved projects(impact: Consistency with SDBIP)
 - Lack of human/capital resource to implement the sector plans
 - Lack of by-laws
 - Non-availability of a credible SDF
 - Non-availability of a Transport Master Plan
 - Under-budgeting
 - Investor confidence caused by water and electricity capacity
 - Lack of marketing strategy
 - Lack of business skills
 - Lack of research skills
 - Lack of synergy between the departments in addressing women and youth economic development

- **Department Technical Services**

- Water and Sanitation
 - Lindley clean water reservoir is leaking. The consultant was appointed for assessment.
 - Meintjies clean water reservoir is leaking; a quotation will be obtained from Gertuck to fix this reservoir.
 - The Reitz Waste Water Treatment Works is overloaded, the plant is unable to treat the amount of waste water inflow.
 - The department is short-staffed; as a result, there is a delay in executing most of the planned projects.
 - The department is in short of vehicles, which forces other teams to share vehicles.
 - There is a delay in purchasing of material, which is affecting the service delivery.
 - There is high water demand in Reitz; as a result the reservoirs are no longer getting full.
 - Most of toilets in Petsana are leaking; which is resulting in serious water loss.
- Electricity and Mechanical
 - 81 of 145 infill sites could not be electrified during Phase 3 Electrification of Ntha Ext.5 as their owners did not occupy them.
 - Ageing Electricity Infrastructure needing upgrading and refurbishment
 - Meter tempering resulting in Distribution losses
 - Shortage of Qualified Personnel (Electricians and Mechanics).
- Roads and Stormwater
 - Delays in Procurement of Vehicle Parts.
 - Shortage of qualified Mechanics.
 - Transport – trucks needs tyres, roadworthy and license fees to be paid; Requests were handed in for approval and purchases,
 - Consider hiring of yellow fleet for gravelling program.
 - Labour intensive – not enough labour to perform as required.
 - Require EPWP workers temporary.
 - Lack of internal and external funding due to financial constraints.
 - Apply for funding at District Council and MIG
 - In need of pedestrian vibrating roller, 3 x plate compactors and 2 x tamper rammers; Requests handed in for approval of purchases.

- **Department Financial Services**

- Increasing collection rate
- Implementing full credit control and debt collection on the areas supplied by Eskom
- Recovery plan

Future Actions

Our immediate future priorities to improve our services will be as follows:

- **Office of the Municipal Manager**
 - Develop Service Standards for all services rendered in 2016/2017 financial year
 - Cascading down of the PMS System to lower level officials
- **Department Corporate Services**
 - Fill in critical posts.
 - Provide training to staff as per WSP.
 - Arrange for the approval of policies.
 - Provide employees with necessary protective clothing.
 - Ensure compliance with policies, legislation and collective agreements.
- **Department Community Services and LED**
 - Present municipal by-laws to the public for final adoption by council
 - Cascading of performance management plans to the middle management
- **Department Technical Services**
 - Councilors to encourage site owners to occupy their site for Electricity provision.
 - Source funds from DoE to upgrade ageing Infrastructure.
 - Source funds for smart metering to prevent meter tempering or Appoint Professional Service provider for extensive Meter Auditing.
 - Permanently Appoint Qualified Electricians and Mechanics.
- **Department Financial Services**
 - Continuous visits to locations to urge people to pay

Conclusion

This Report is our feedback to you, our loyal friends and compatriots. It contains particulars of what we achieved during the past financial year (2015/16) and give an overview of the obstacles that remain in realising our vision and mission above. We believed that we have made important strides in fulfilling our Government's mandate to create a better life for all – especially the most vulnerable and poor in our society.

Component B: Executive Summary

1.1 Municipal Manager's Overview



Through the dedication and commitment of our staff, we strived to make important progress towards a better life for all our communities in the 2015/16 financial year taking into consideration the resources available and our strategic objectives.

Service Delivery performance

We are reasonably satisfied that we, as managers, have contributed positively towards Council's service delivery successes in 2015/16. However, there were also several challenges that need to be addressed. In this regard, the following could be highlighted:

- An unqualified audit with matters.
- Filling of posts
- Cash flow constraint
- Many breakdowns due to ageing infrastructure
- Meter tempering

Policies and related administrative matters

The municipality has maintained registers of the required administrative and financial policies throughout the 2015/16 financial year. The employment equity plan was reviewed and progress reports about its implementation submitted to the Department of Labour. The following important plans and policies were also reviewed and/or implemented:

- **Office of the Municipal Manager**
 - IDP Review
 - Internal Audit Annual Audit Plan
 - Risk assessment
 - New or revised policies:
 - Policies developed
 - IT Policy
 - Policies Reviewed:
 - PMS Framework and policies

- **Department Corporate Services**

- Plans reviewed during the financial year
 - Employment Equity Plan.
 - Workplace Skills Plan.
- Existing policies
 - Asset management policy, Banking and investment policy, Budget policy, Car allowance policy, Cellphone allowance policy, Credit control and debt collection policy, Draft property rates policy, Draft property rates by-laws policy, Indigent support policy, Leave policy, Overtime policy, Pauper burials policy, Recruitment policy, Supply chain management policy, Tariff policy, Travel and subsistence policy, Use of municipal vehicle policy, Use of mayoral car policy, Working hours policy, Policy on career , opportunities, succession, planning, rapid progression and promotion, Training and development policy, Public participation policy, Scarce and critical skills, Retention and recruitment policy, Internship programme policy, Records management policy, Occupational health and safety policy, Study grant and bursary policy, Relocation policy, IT policy and procedure, Employment equity policy, HIV/ aids & life threatening diseases policy, Incapacity due to ill health/ injury policy, Sexual, racial & ethnic harassment policy, telephone Policy, Housing Allowance Policy, Study Allowance Policy
- Policies developed
 - Occupational Health & Safety Policy.
 - Incapacity Due To Ill-health/Injury Policy.
 - Induction Policy.
 - HIV/AIDS & Life Threatening Diseases Policy.
 - Sexual, Racial & Ethnic Harassment Policy.
 - Attendance & Punctuality Policy.

- **Department Community Services and LED (policies reviewed and new policies develop)**

- Policies developed
 - Integrated Environmental Management Plan (IEMP) (Draft)
 - Disaster Management Plan (DMP) (Draft)
- Policies reviewed
 - Policy for the Disposal of the Municipality's immovable Capital Assets (Draft)

- **Department Technical Services**

- Electricity masterplan

- **Department Financial Services**

- Budget Policy, Cash and Investment Policy, Indigent Policy, Tariff Policy, Write off of irrecoverable debt Policy, Supply Chain Management Policy, Property Rates Policy, Asset Management Policy, Credit Control and Debt collection Policy, Free Basic Electricity Policy,

Free Basic Sanitation Policy, Free Basic Waste Policy, Free Basic Water Policy, Mayoral & Speaker Car Policy, IT Policy, 8 key policies as per Performance Plan, Indigent Policy, Procurement Policy

- Policies reviewed
 - Indigent support policy
 - Tariff policy
 - Expenditure control policy
 - Travel and Subsistence policy
 - Supply chain management policy
 - Credit control and debt collection policy
 - Asset management policy
 - Writing off of irrecoverable debt policy
 - Banking policy
 - Budget policy

Shared Services

The municipality entered into an agreement with the district municipality for the utilisation of the following shared services:

- Disaster management (Thabo Mafutsanyana District municipality)

1.2 Municipal Population, Functions and Environmental Overview

Nketoana Local Municipality is named after the Liebenbergsvlei River, which is Nketoana in Sesotho.

The Municipality is situated within the Thabo Mafutsanyana District Municipality in the Eastern Free State. It comprises of Reitz, Petsana, Mamafubedu (Petrus Steyn), Lindley, Ntha, Arlington and Leretswana.

Figure / Table 1.1: Map of the Nketoana municipal area



(Source: Municipal Demarcation Board)

The head office is situated at Reitz, with municipal staff in each unit to ensure that services are brought closer to the community. The Municipality has four administration departments i.e. Corporate Services, Community Services, Technical Services and Financial Services. The core function of the municipality is service delivery as set out in the constitution.

The municipality is 54km from Bethlehem, 240km from Johannesburg and 60 km from the N3 Road.

The main economic activities in the area are agriculture and retail businesses. Nketoana is a fertile agricultural region and approximately 19% of the economically active population is employed in the agricultural sector.

Attractions in the area include: flower and nut farms; bird farms; two lion farms; game farms and the Bass Feather Country Lodge (Previously known as Bietjie Water Holiday Resort). History buffs will be interested in the fact that Lindley was the birthplace of Dr Danie Craven and the Yeomanry Koppies area is a recognised Anglo-Boer War battlefield. The historical Dutch Reformed Church building in Ntha and the Krusipad Missionary Church are also likely to be of interest, as are the other national monuments in the area.

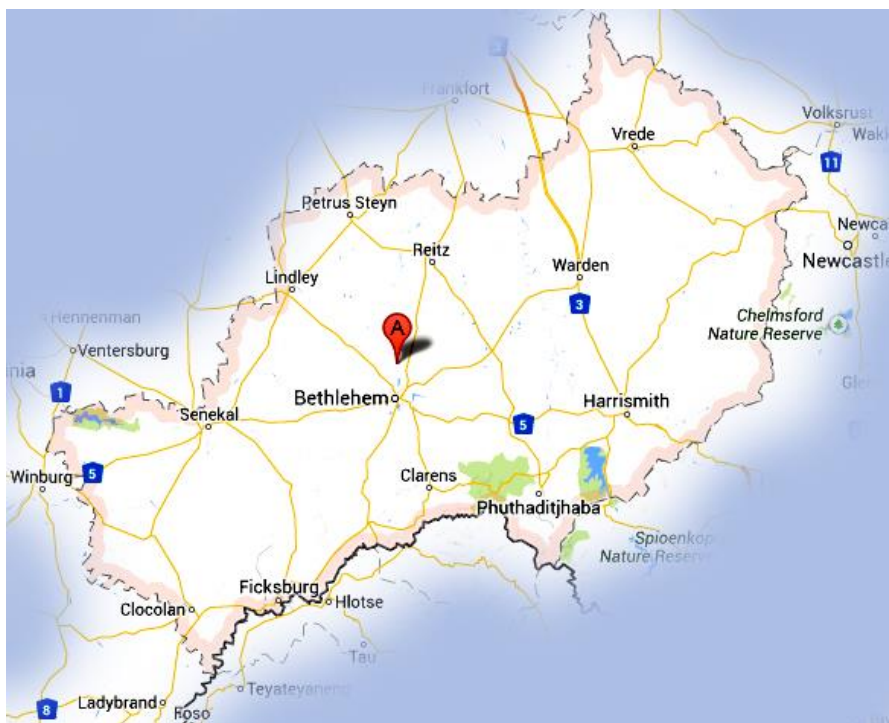
Figure / Table 1.2: Nketoana Municipality

Place	Area (km ²)	Population	Most spoken language
Arlington	5.51	222	Sotho
Cremona	0.46	2,021	Sotho
Leratswana	0.82	3,429	Sotho
Lindley	21.07	1,621	Sotho
Mamafubedu	1.38	8,121	Sotho
Ntha	2.16	8,500	Sotho
Mamafubedu (Petrus Steyn)	9.74	1,163	Afrikaans
Petsana	2.76	13,670	Sotho
Reitz	6.51	1,781	Afrikaans
Remainder of the municipality	5,560.92	21,423	Sotho

Source: <http://en.wikipedia.org>

The Bieliemielie Festival and annual stud auctions are popular with locals. Tourists can visit the agri-tourism route in Arlington. (Source: <http://www.freestatebusiness.co.za/municipalities>)

Figure / Table 1.3: Map of the Nketoana municipal area



(Source: <https://maps.google.com>)

Trade and Industry in different towns:

Reitz

- **Background**

Reitz is the principal town of the area and economically the strongest. Lying almost halfway between Bethlehem and Frankfort on Route 26, Reitz is described as a peaceful village. It first became a municipality in 1903.



It is a small Free State town which is a centre for the maize, wheat and cattle farmers of the area. Its biggest claim to fame is that it has the largest maize silos in the southern hemisphere.

- **Trade and Services**

Reitz has a well-developed CBD in the centre of Reitz with a variety of retail businesses and related services including agricultural suppliers, wholesalers, retailers, general dealers, hair dressers, funeral parlors, pharmacies, bakeries, professional service providers and many more.

Apart from the above formal businesses, a substantial number of business activities are also to be found in Petsana, including spaza shops, vegetable shops, backyard repair shops, panel beaters, car washes, builders and so forth.

- **Industrial**

Reitz has two industrial areas situated directly to the north of Petsana and Reitz respectively where a variety of light and heavy industries can be found. Most of these industries are however related to and in support of the agricultural sector.

Mamafubedu (Petrus Steyn)

- **Background**

Mamafubedu (Petrus Steyn) is situated near the large hill Elandskop, the scene of many a skirmish between Boer and Brit during the Anglo-Boer War.

Research has indicated that Mamafubedu (Petrus Steyn) is the Free State town highest above sea level, at 1 702 meter above sea level and is dominated by one of the biggest co-operative grain silos in the Free State. The Renoster River has its source near the town.

- **Trade and Services**

Mamafubedu (Petrus Steyn) has a well-defined CBD. Businesses found within the CBD include the co-operation, a supermarket, retail shops and general dealers and liquor stores, a hotel and hair dressers. Other services of interest include financial institutions, medical doctor's practices, a pharmacy, an estate agency and funeral houses.

Mamafubedu accommodates quite a number of formal businesses, which is mostly situated at the entrance to Mamafubedu. There are quite a large number of residential sites used for mixed uses such as businesses, taverns, funeral parlours, fuel depots and spaza shops. These properties have not been rezoned as such.

- **Industrial**

One of Mamafubedu's (Petrus Steyn's) largest assets is the grain silo situated to the northwest of the town next to the railway station. The silos have the largest storage capacity of 102 000 tons in the Lindley district.



According to the co-operation, approximately 25 000 tons of maize are stored during May to August, whilst approximately 35 000 ton of wheat are stored during December to February each year. The industrial area itself is completely served and has good access from both external roads and the railway line, but is currently completely underutilized. There is ample land available for expansion should the need arise. Several other enterprises are situated in the town itself which include a warehouse, engineering works, a mill and bakery, 2 potato wash facilities, a fuel depot and various light industrial workshops.

Lindley

- **Background**

Lindley is named after a missionary, Daniel Lindley, an American Presbyterian minister of the Voortrekkers. Historically notable was the Battle for Yeomanry Hills which took place during May 1900 between British and Free State forces.

The farm Doornkloof of famous Voortrekker leader, Sarel Cilliers, is also in the district, forming today the national headquarters of the Voortrekkers youth movement.

- **Trade and Services**

Lindley has a well-defined CBD consisting of several businesses linear along the main road to the north and south of the CBD. Ntha has not yet a well-defined CBD although a concentration of businesses exists in the township. A need exists for the development of the large business site adjacent to the access road to Ntha to serve as an activity or business node.

- **Industrial**

No provision is made for light industrial sites in a designated industrial area in Lindley. A definite need exists for sites of this nature. A few light industrial sites were provided in Ntha along the main collector roads through Ntha.



Arlington

- **Background**

Founded in 1930, the village of Arlington is supported by a very strong agricultural district, especially cattle studs for the Simmentaler, Simbra and Angus breeds.

- **Trade and Services**

Arlington has a well-defined and accessible CBD adjacent to the major road between Bethlehem and Steynsrus. Leratswana has a small business activity node consisting of community facilities and shops adjacent to the access road. The business areas described indicate limited growth potential. Arlington has no industrial sites available due to the lack of available land.

(Source: <http://www.nketoana.fs.gov.za/>)



Figure / Table 1.4: Nketoana Municipal Area



(Source: <https://maps.google.com>)

Figure / Table 1.5: Population

Census 2001

Male	Female	Total	% of Total
3038	3067	6105	10%
3505	3436	6941	11%
3989	4044	8033	13%
3852	4095	7947	13%
2818	3216	6034	10%
2196	2544	4740	8%
1735	2157	3892	6%
1638	1988	3626	6%
1452	1729	3181	5%
1258	1586	2844	5%
1123	1148	2271	4%
759	897	1656	3%
516	800	1316	2%
442	745	1187	2%
338	614	952	2%
208	320	528	1%
117	297	414	1%
81	200	281	0%

Community Survey 2007

	Male	Female	Total	% of Total
0 - 4	3098	3705	6803	11%
4 - 9	2857	3188	6045	10%
10 - 14	3027	3264	6291	11%
15 - 19	3156	3576	6732	11%
20 - 24	2638	3354	5992	10%
25 - 29	2791	2798	5589	9%
30 - 34	2200	2256	4456	7%
35 - 39	1857	2322	4179	7%
40 - 44	1226	1569	2795	4%
45 - 49	1111	1382	2493	4%
50 - 54	1304	1759	3063	5%
55 - 59	1296	1589	2885	5%
60 - 64	815	942	1757	3%
65 - 69	421	738	1159	3%
70 - 74	309	473	782	1%
75 - 79	230	239	469	1%
80 - 84	147	280	427	1%
85 - 120	201	250	451	1%

Census 2011

	Male	Female	Total	% Total
0 - 4	3527	3591	7118	12%
4 - 9	3230	3328	6558	11%
10 - 14	2875	2931	5806	10%
15 - 19	2973	2910	5883	10%
20 - 24	2950	2921	5871	10%
25 - 29	2519	2654	5173	9%
30 - 34	2028	2173	4201	7%
35 - 39	1696	1851	3547	6%
40 - 44	1299	1647	2946	5%
45 - 49	1356	1643	2999	5%
50 - 54	1108	1441	2549	4%
55 - 59	985	1341	2326	4%
60 - 64	819	1015	1834	3%
65 - 69	513	749	1262	2%
70 - 74	321	563	884	1%
75 - 79	185	411	596	1%
80 - 84	131	302	433	1%
85 - 120	96	242	338	1%

(Source: Statistic South Africa: Census 2001 and Community Survey 2007)

Census 2001

Age	Total Persons	Age group as %
0 - 14	21079	34%
15 - 64	37507	61%
65 - 120	3362	5%

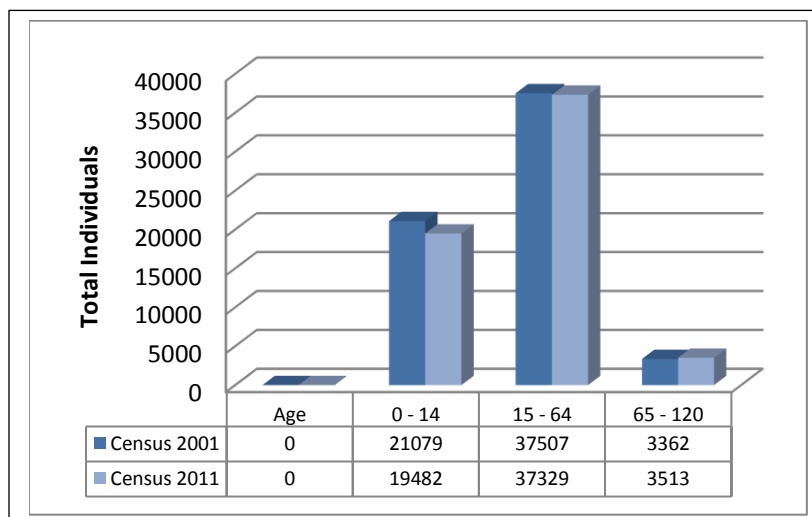
Community Survey 2007

Age	Total Persons	Age group as %
0 - 14	1939	4%
15 - 64	39941	89%
65 - 120	3288	7%

Census 2011

Age	Total Persons	Age group as %
0 - 14	19482	32%
15 - 64	37329	62%
65 - 120	3513	6%

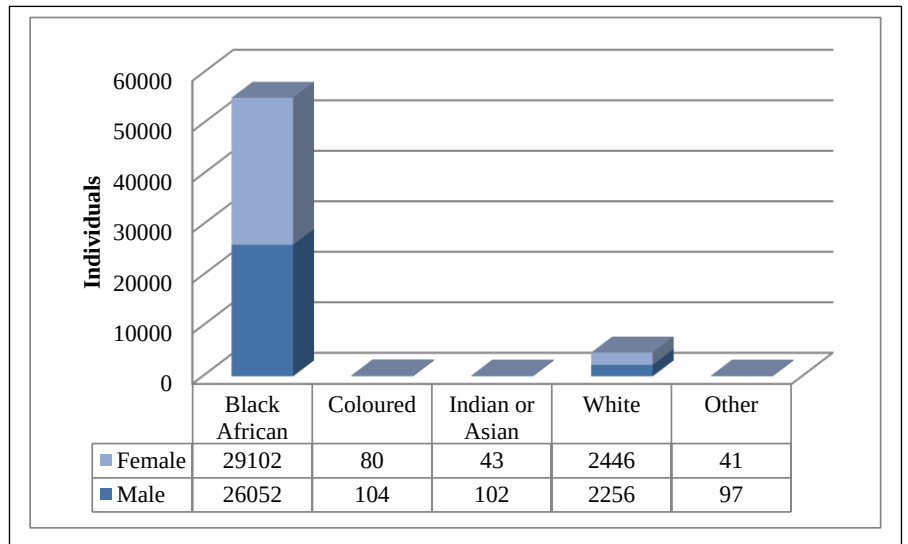
(Source: StatsSA)



(Source: StatsSA)

Figure / Table 1.6: Population Group (StatsSA, Municipal Fact Sheet, Census, 2011)

	Male	Female
Black African	26052	29102
Coloured	104	80
Indian or Asian	102	43
White	2256	2446
Other	97	41

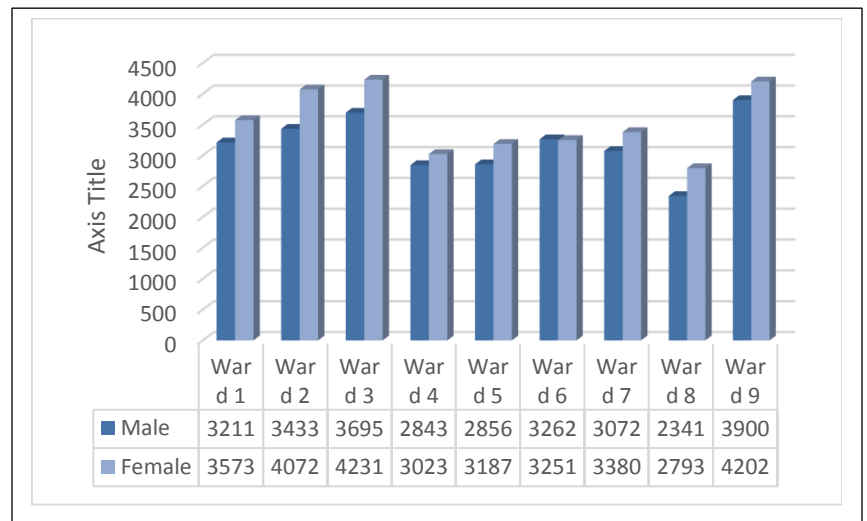


(Source: StatsSA, Municipal Fact Sheet, Census, 2011)

Population according to wards:

Figure / Table 1.7: Gender as per Ward

	Male	Female	Total
FS193: Nketoana	28611	31713	60 323
Ward 1	3211	3573	6 784
Ward 2	3433	4072	7 505
Ward 3	3695	4231	7 926
Ward 4	2843	3023	5 865
Ward 5	2856	3187	6 041
Ward 6	3262	3251	6 511
Ward 7	3072	3380	6 450
Ward 8	2341	2793	5 134
Ward 9	3900	4202	8 102



(Source: StatsSA, Municipal Fact Sheet, Census, 2011)

Figure / Table 1.8: Gender and population as per Ward

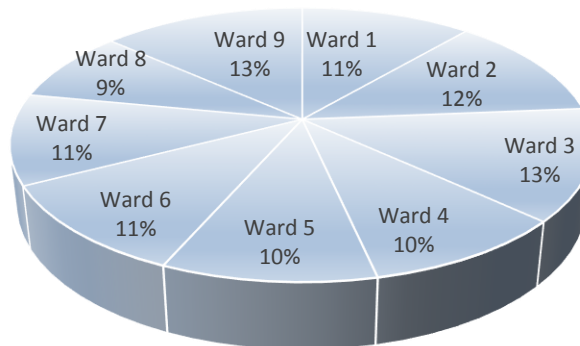
	Black African		Coloured		Indian or Asian		White		Other	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
FS193: Nketoana	26052	29102	104	80	102	43	2256	2446	97	41
Ward 1	2846	3189	9	7	25	8	325	367	6	2
Ward 2	3347	4011	17	11	17	10	45	39	7	1
Ward 3	3622	4177	15	10	9	2	43	40	6	2
Ward 4	2494	2656	10	10	14	9	312	339	12	9
Ward 5	2686	3018	2	9	6	2	156	154	5	3
Ward 6	2381	2349	22	10	12	2	810	872	36	17
Ward 7	2481	2732	14	7	10	9	555	628	10	4
Ward 8	2320	2785	2	2	5	1	7	4	7	1
Ward 9	3873	4186	13	13	5	1	2	1	7	1

According to Census 2011 62 % of the population are between the age of 15 and 64, 53% are female. The dominant language is Sesotho, with 75% speaking the language as a first language, 11% IsiZulu and 9% Afrikaans. The number of persons has decreased from 61950 (Census 2001) to 60324 (Census 2011), but the number of households has increased from 15039 (Census 2001) to 17318 (Census 2011). Which means that the service points in the municipality has increased with 2279 households.

(Source: StatsSA, Census, 2011)

Figure / Table 1.9: Number of persons as per Ward

Ward	Total persons
Ward 1	6784
Ward 2	7505
Ward 3	7926
Ward 4	5865
Ward 5	6041
Ward 6	6511
Ward 7	6450
Ward 8	5134
Ward 9	8102



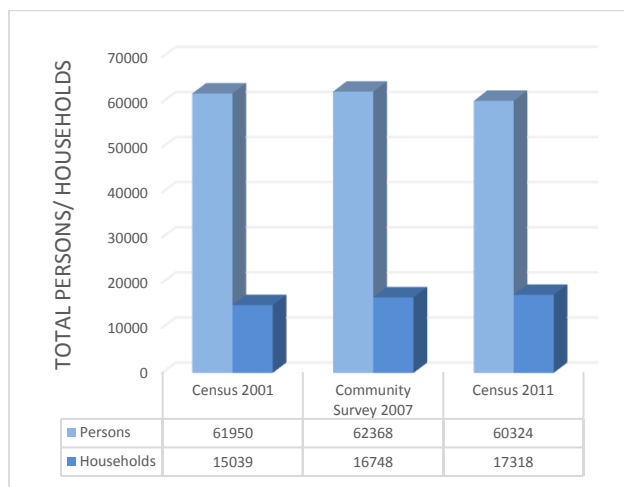
(Source: StatsSA, Census, 2011)

The population density in the area is approximately 10.8 persons per square km, which is substantially less than the national average of 32.

(Source: <http://en.wikipedia.org>)

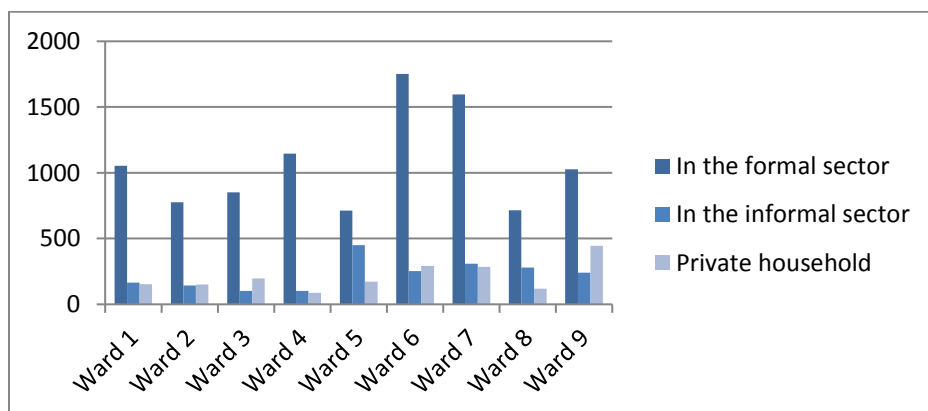
Figure / Table 1.10: Number of persons and households

Category	Census 2001	Community Survey 2007	Census 2011
Persons	61950	62368	60324
Households	15039	16748	17318



(Source: StatsSA, Census, 2011)

Figure / Table 1.11: Economic sectors per ward



	In the formal sector	In the informal sector	Private household
FS193: Nketoana	9630	2045	1900
Ward 1	1053	165	154
Ward 2	777	143	150
Ward 3	852	102	197
Ward 4	1145	101	87
Ward 5	712	451	173
Ward 6	1752	254	292
Ward 7	1597	308	285
Ward 8	716	279	118
Ward 9	1027	241	444

(Source: StatsSA, Census, 2011)

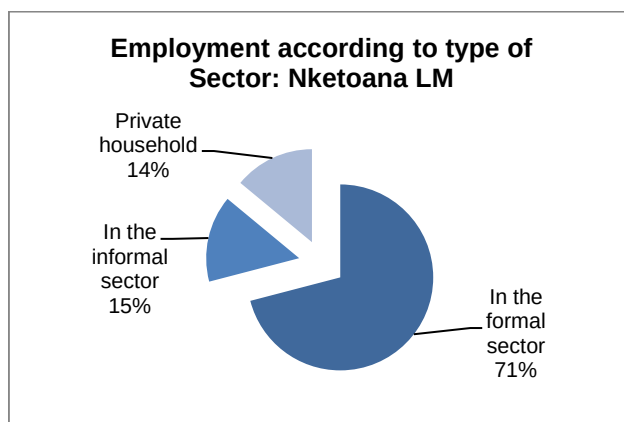
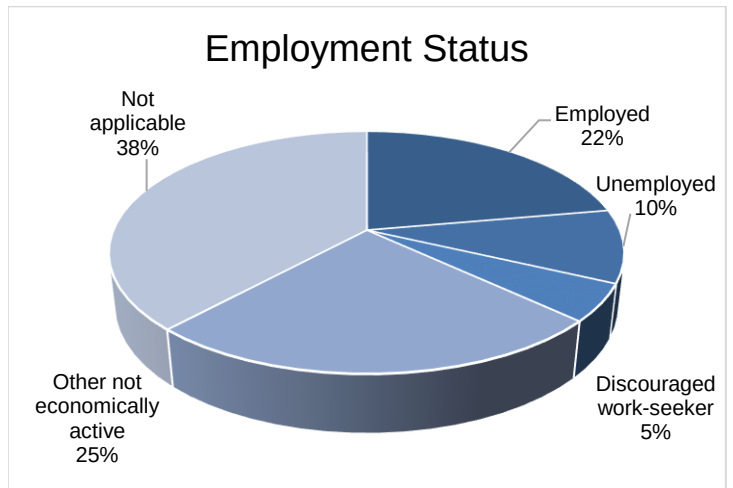


Figure / Table 1.12: Socio Economic / Employment Status

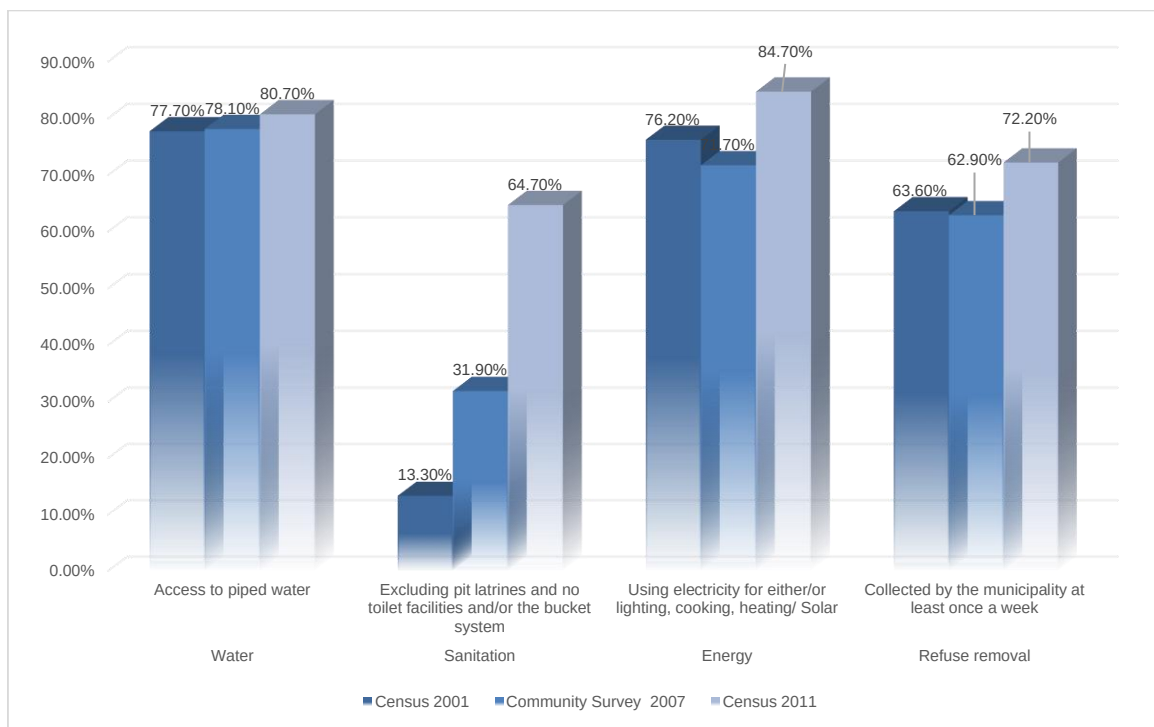
Employment Status	Total persons
Employed	13406
Unemployed	5855
Discouraged work-seeker	3007
Other not economically active	15063
Age less than 15 years	0
Not applicable	22994



(Source: StatsSA, Census, 2011)

1.3 Service Delivery Overview

Figure / Table 1.13: Basic Services Overview



(Source: StatsSA)

The Municipality has attained important progress with the delivery of basic services between Census 2001, Community Survey in 2007 and Census 2011. The above progress lines represented above are reflected in the Table below:

Figure / Table 1.14: Basic Services Overview (2)

Access to Basic Services				
Basic Service	Definition	Census 2001	Community Survey 2007	Census 2011
Water	Access to piped water	77.70%	78.10%	80.70%
Sanitation	Excluding pit latrines and no toilet facilities and/or the bucket system	13.30%	31.90%	64.70%
Energy	Using electricity for either/or lighting, cooking, heating/ Solar	76.20%	71.70%	84.70%
Refuse removal	Collected by the municipality at least once a week	63.60%	62.90%	72.20%

(Source: StatsSA)

1.4 Financial Health Overview

Figure / Table 1.15: Financial Health Overview

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	128 350 794	111 255 685
Rental of facilities and equipment	27	331 864	356 580
Interest received (trading)	28	24 391 914	20 201 160
Other income	29	1 475 690	1 073 811
Interest received - investment	30	1 101 572	583 166
Total revenue from exchange transactions		155 651 834	133 470 402
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	16 612 976	15 835 059
Transfer revenue			
Government grants & subsidies	32	145 433 408	145 035 655
Public contributions and donations	33	8 942 783	4 299 995
Fines	34	216 310	205 404
Total revenue from non-exchange transactions		171 205 477	165 376 113
Total revenue		326 857 311	298 846 515
Expenditure			
Employee related costs	35	(80 810 390)	(74 798 709)
Remuneration of councillors	36	(6 891 541)	(6 676 993)
Depreciation and amortisation	37	(58 502 541)	(57 015 081)
Finance costs	38	(10 202 243)	(8 338 647)
Lease rentals on operating lease	39	(5 547 174)	(4 686 484)
Debt Impairment	40	(83 419 298)	(108 567 852)
Repairs and maintenance	41	(18 427 332)	(15 404 523)
Bulk purchases	42	(43 817 910)	(38 934 748)
Contracted services	43	(11 399 862)	(10 758 689)
General Expenses	44	(49 138 817)	(37 729 201)
Total expenditure		(368 157 108)	(362 910 927)
Operating deficit		(41 299 797)	(64 064 412)
Gain on disposal of assets and liabilities	45	-	36 425
Fair value adjustments	46	(25 963)	57 861
Actuarial gains/losses	22	61 000	708 000
		35 037	802 286
Deficit for the year		(41 264 760)	(63 262 126)

1.5 Organisational Development Overview

Figure / Table 1.16: Municipal Employees per category

Occupational category	Total according to race								Total
	A	%	C	%	I	%	W	%	
Legislators	15	83.33	0	0	0	0	3	16.67	18
Managers	12	80	0	0	0	0	3	16.67	15
Professionals	17	100	0	0	0	0	0	0	17
Technicians and Trade Workers	20	90.9	0	0	0	0	2	9.09	22
Clerical and Administrative Workers	106	98.25	0	0	0	0	2	9.09	108
Machinery Operators and drivers	381	100	0	0	0	0	0	0	381
Total	551	98.22	0	0	0	0	10	1.78	561

(Source: Workplace Skills Plan: 2015/16)

Figure / Table 1.17: Total Number of Employees in the Municipality who Received Training

Occupational category	FA	FC	FI	FW	MA	MC	MI	MW	TOTAL
Legislators	0	0	0	0	6	0	0	0	6
Managers	2	0	0	0	7	0	0	0	9
Professionals	3	0	0	0	5	0	0	0	8
Technicians and Trade Workers	0	0	0	0	6	0	0	0	6
Clerical and Administrative Workers	6	0	0	0	7	0	0	0	13
Elementary Occupations	1	0	0	0	12	0	0	0	13
Total	12	0	0	0	43	0	0	0	55

(Source: Workplace Skills Plan: 2015/16)

Figure / Table 1.18: Summary Employee Profile Data

Total number of black (African, Coloured, Indian) employees	551
Black employees as a % of total employees	98.22%
Total number of women employees	166
Women employees as a % of total employees	29.59%
Total number of employees with disabilities	1
Employees with disabilities as a % of total employees	0%
Total employees over the age of 55	63
Over 55 employees as a % of total employees	11.23%
Total employees between the ages of 35 and 55	356
Employees between 35 and 55 as a % of total employees	63.46%
Total employees under the age of 35	141
Employees under 35 as a % of total employees	25.13%

(Source: Workplace Skills Plan: 2015/16)

Figure / Table 1.19: Summary Employee Qualification Profile Data

EMPLOYEE QUALIFICATION PROFILE	
Total number of employees with an NQF Level 1 and below qualification	119
Employees with an NQF Level 1 and below qualification as a % of total employees	21.21%
Total number of employees with an NQF Level 2, 3 or 4 qualification	251
Employees with an NQF Level 2, 3 or 4 qualification as a % of total employees	44.74%
Total number of employees with an NQF Level 5 or above qualification	76
Employees with an NQF Level 5 or above qualification as a % of total employees	13.55%
Total employees who are Managers and Professionals with an NQF Level 6 or above qualification	21
Employees who are Managers and Professionals with an NQF Level 6 or above qualification as a % of total employees in those categories	21 of 32 = 56.62%
Total employees who are Technicians and Trade Workers with an NQF Level 5 or above qualification	2
Employees who are Technicians and Trade Workers with an NQF Level 5 or above qualification as a % of total employees in those categories	2 of 22 = 9.09%

(Source: Workplace Skills Plan: 2015/16)

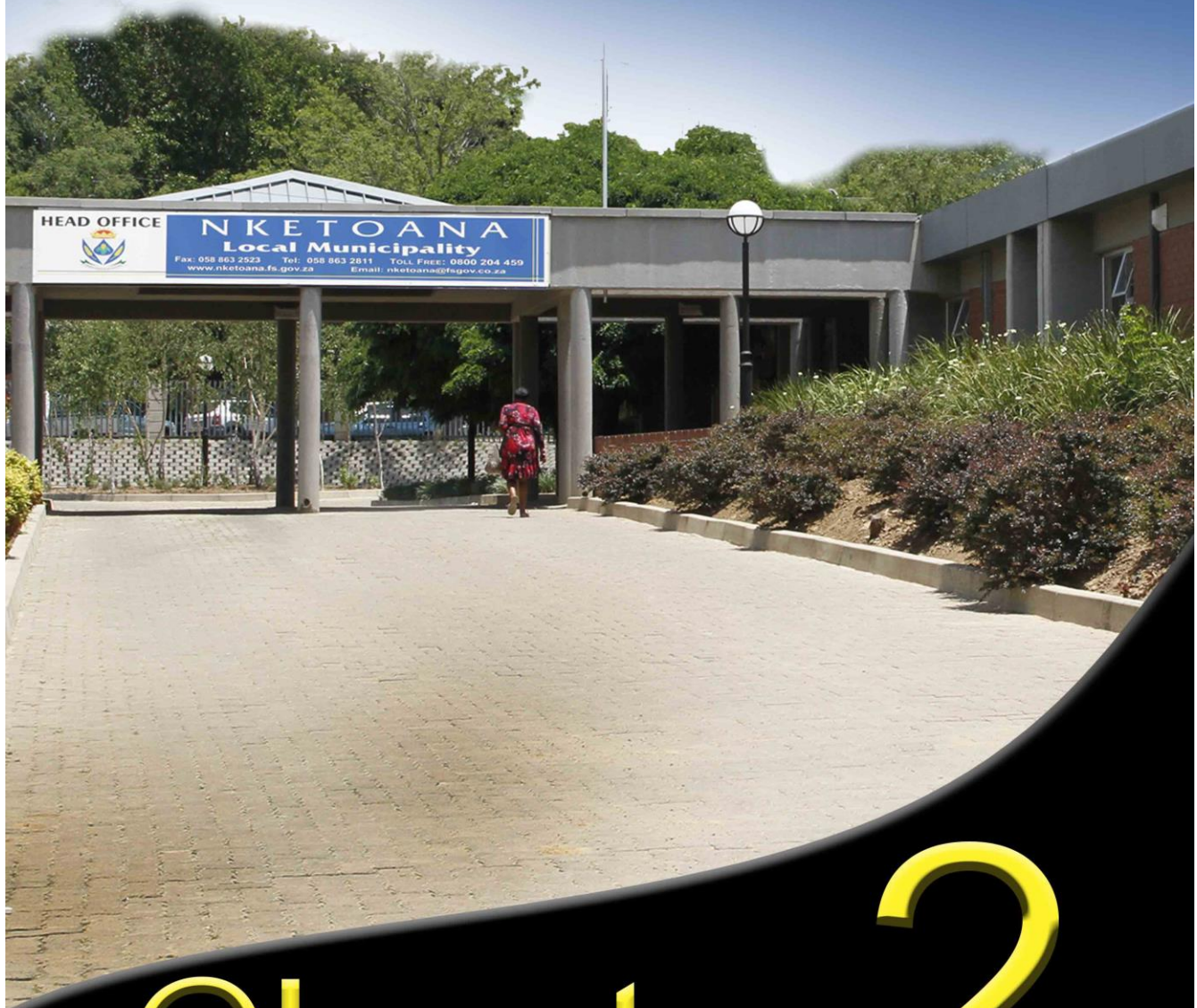
1.6 Statutory Annual Report Process

The following statutory required annual reporting process has been complied followed during the 2015/16 financial year:

1	Consideration of the 2016/17 IDP Process Plan	July 2016
2	Implementation of the IDP and budget commences	July 2016
3	Compilation of the 2015/16 Annual Performance Report	August 2016
4	Compilation of the 2015/16 Annual Financial Statements	August 2016
5	Draft Annual Report (Performance Report and Annual Financial Statements submitted to the AG)	August 2015
6	Auditor-General assessed the 2014/15 Annual Financial Statements and Performance Report	September – October 2016
7	Municipality received back the Auditor-General's comments and start addressing issues raised	November 2016
8	Compilation of the 2015/16 Annual Report	January 2017
9	Public comments regarding the Annual Report is invited	February 2017
10	2015/16 Oversight Process	March 2017
11	Public inputs for the purposes of finalising the Oversight Report is invited	March 2017
12	Annual Report, Annual Financial Statements and Audit Management Letters considered with service planning for 2015/16	March 2017



Governance



Chapter 2

Chapter 2 – Governance

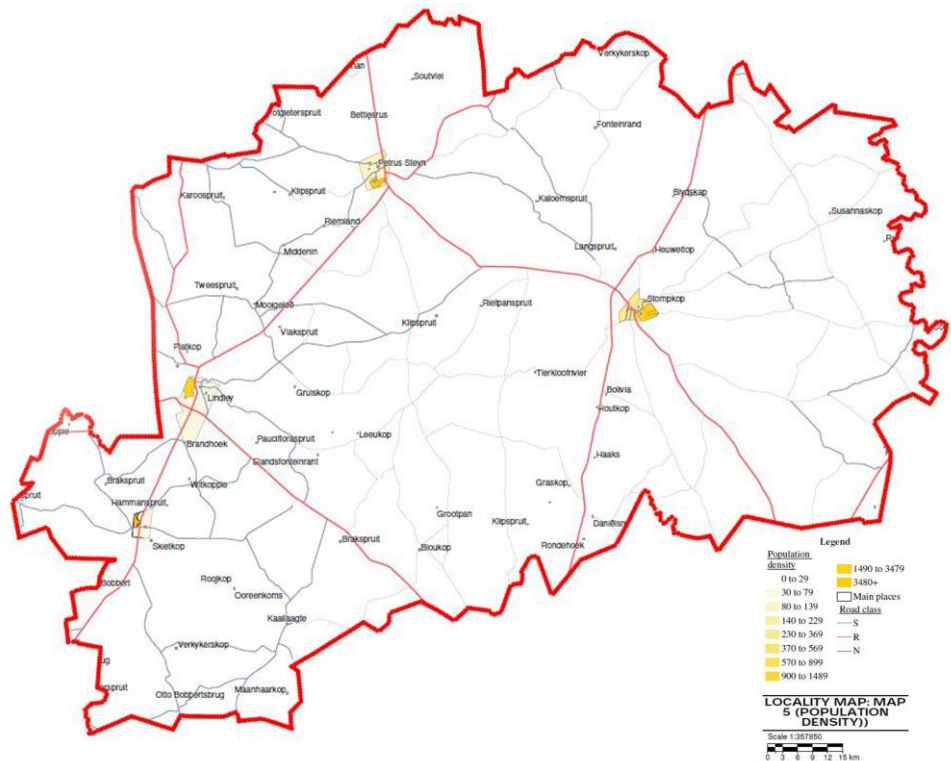
Component A: Political and Administrative Governance

Nketoanana Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The municipality has thirteen wards.

Figure / Table 2.1: Wards of the Nketoanana Local Municipality

Ward	Total Voters
Ward 1	3296 voters
Ward 2	3716 voters
Ward 3	3599 voters
Ward 4	3118 voters
Ward 5	3151 voters
Ward 6	2816 voters
Ward 7	3402 voters
Ward 8	2830 voters
Ward 9	3617 voters
Total Nketoana	29545 voters

(Source:
<http://www.demarcation.org.za>)



(Source: Spatial Development Framework 2010)

2.1 Political and Administrative Governance

Political Leadership



Mayor Cllr. M. Molapisi
Finance Chairperson (PR)



Cllr. P. Nkomo
Speaker



Cllr. M. Mokoena
Mamafubedu (PR)



Cllr. M. Moloedi
Mamafubedu Ward 2
Chief Whip



Cllr. M. Mphaka
Arlington (PR)



Cllr. M. Blignaut
Reitz Ward 6



Cllr. N. Tshabalala
Petsana Ward 7



Cllr. T. Radebe
Lindley Ward 3



Cllr. G. Nhlapo
Arlington Ward 5



Cllr. M. Semela
Petsana Ward 9



Cllr. R. Majoe
Lindley (PR)



Cllr. P. Mofokeng
Lindley Ward 4



Cllr. S. Henning
Lindley (PR)



Cllr. P. Sibeko
Reitz Ward 6



Cllr. M. Malindi
Arlington (PR)



Cllr. M. Mosia
Mamafubedu Ward 1



Cllr. S. du Preez
Mamafubedu



Cllr. K. Mokoena
Petsana Ward 8

Administrative Leadership



L.I. Mokgathle
Municipal Manager



S.M. Nhlapo
Director Corporate Services



M. Manzi
Director Community Services



M. Moletsane
Director Technical Services



TG Makgale
Chief Financial Officer
(acting)

Mayor: MD Molapisi (PR - ANC)
Lindley

Speaker: NP Nkomo (PR - ANC)
Reitz

Committee	Designation	Name	Constituency
Executive Committee	Chairperson	Cllr. MD Molapisi	PR - ANC Lindley
	Chief Whip	Cllr. PM Moloedi	Ward 2 - ANC Mamafubedu
	Member	Cllr. MR Mphaka	PR - ANC Arlington
	Member	Cllr. MT Mokoena	PR - ANC Mamafubedu
	Member	Cllr. M Blignaut	Ward 6 - DA Reitz
IDP Steering Committee	Chairperson	Cllr. MD Molapisi	PR - ANC Lindley
	Member	Cllr. PM Moloedi	Ward 2 - Mamafubedu
	Member	Cllr. MR Mphaka	PR - ANC Arlington
	Member	Cllr. MT Mokoena	PR - ANC Mamfubedu
	Member	Cllr. M Blignaut	Ward 6 - DA
	MM	LI Mokgatlhe	
	Directors	MS Nhlapo	
		MP Manzi	
		TG Makgale	
		MM Moletsane	
	Manager IDP & PMS	S Venter	
Finance Standing Committee			
	Chairperson	Cllr. MD Molapisi	PR - ANC Lindley
	Member	Cllr. KA Mokoena	Ward 8 - ANC Petsana
		Cllr. SG Henning	PR - DA Lindley
		Cllr. MS Semela	Ward 9 - ANC Petsana
		Cllr. LG Nhlapo	Ward 5 - ANC Arlington
Community Services Standing Committee			
	Chairperson	Cllr. MR Mphaka	PR - ANC Arlington
		Cllr. MS Malindi	PR - ANC Arlington
		Cllr. TP Radebe	Ward 3 - ANC Lindley
		Cllr. SJS du Preez	PR - Vryheidsfront

Corporate Services Standing Committee			Mamafubedu
	Chairperson	Cllr. PM Moloedi	Ward 2 - ANC Mamfubedu
		Cllr. PA Sibeko	Ward 6 - ANC Reitz
		Cllr. NS Tsabalala	Ward 7 - ANC Petsana
		Cllr. RD Majoe	PR - PAC Mamfubedu
Technical Services and Infrastructure Development Standing Committee			
	Chairman	Cllr. MT Mokoena	PR - ANC Mamafubedu
		Cllr. PP Mokoena	Ward 4 - ANC Lindley
		Cllr. M Blignaut	Ward 6 - DA Reitz
		Cllr. MJ Mosia	Ward 1 - ANC Mamfubedu

2.1.1 Ward Committees

Figure / Table 2.2: Ward Committee Members

WARD 1 COMMITTEE MEMBERS	WARD 2 COMMITTEE MEMBERS
Cllr. MJ Mosia	Cllr PM Moloedi
1. Maria Mkhwanazi	1. Mmatefo Merriam Nkomo
2. Ida Mokoena	2. Lindiwe Elizabeth Tshabalala
3. Dikiledi Mokoena	3. Monaheng Peter Mokoena
4. Seipati Letsela	4. Catherine Mokoena
5. Selina Mantjali	5. Lolo Elias Motaung
6. Thabo Mokoena	6. Mapakiso Mokoena
7. Daniël Rantso	7. Kgantshe Mofokeng
8. Mangaka Moshebi	8. Mamollo Sana Lelemakoro
9. Amanda Mlangeni	9. Daniël Nthebe
10. Maki Mkwana	10. Khahliso Abram Mosia

WARD 3 COMMITTEE MEMBERS	WARD 4 COMMITTEE MEMBERS
Cllr. TP Radebe	Cllr. PP Mofokeng
1. Joël Mooi	1. Mafa Sithole
2. Tieho Leotlela	2. Oupa Nala
3. Johannes Tshabalala	3. Masontaha Mofokeng
4. Monica Matona	4. Lefu Radebe
5. Modiehi Mofokeng	5. Mamosebetsi Mofokeng

6. Gilbert Khumalo	6. Mantja Mofokeng
7. Mlindwane Mpembe	7. Thethiwe Letha
8. Emily Mosia	8. Lerato Mofokeng
9. Joshua Mosia	9. Joseph Shibila
10. David Tladi	10. Johannes Colyn Lamber

WARD 5 COMMITTEE MEMBERS	WARD 6 COMMITTEE MEMBERS
Cllr.LG Nhlapo	Cllr M Blignaut
1. Matshosana Mofokeng	1. Nhlanhla Gaba
2. Kgubedu Mofokeng	2. Betty Nyambose
3. Sempene Mothamaha	3. Jabulani Nhlapo
4. Masechaba Masakala	4. Mataleate Tshabalala
5. Sompane Mamoratuwa	5. Thabang Mokoena
6. Motumi Mothamaha	6. Margaret Motsitsi
7. Mohapinyana Motaung	7. Daniël Mofokeng
8. Machere Mofokeng	8. Lucas Mposula
9. Fusi Hlahane	9. Mzondeki Maseko
10. Mamphoro Matla	10. -

WARD 7 COMMITTEE MEMBERS	WARD 8 COMMITTEE MEMBERS
Cllr NS Tshabalala	Cllr. KA Mokoena
1. Mathokoana Rasebonang	1. Teboho Mokoena
2. Julia Mphuthi	2. Pule Mahlangu
3. Vangile Mbhela	3. Phinda Dlamini
4. Velaphi Mhlambi	4. John Miya
5. Lindokuhle Mnguni	5. Ntsietseng Mokoena
6. Selina Motaung	6. Khali Mazibuko
7. Mbuyiswa Sithebe	7. Mmadieketseng Mokoena
8. Jabulani Mzizi	8. Vigile Mnguni
9. Theodora Simela	9. Sarah Tsotetsi
10. Fikile Mphuthi	10. Mokula Molefe

WARD 9 COMMITTEE MEMBERS
Cllr. MS Semela
1. Maria Mokoena
2. Lefu Sotetsi
3. Mosebetsi Radebe
4. Jankie Sekgotho
5. Ditaba Motsoeneng
6. Lucy Molakeng
7. Masontaha Molefe
8. Sonto Mnguni
9. Fikile Makhoba
10. Fanyana Bucibo

Component B: Intergovernmental Relations

Intergovernmental Forums utilised by the Nketoanana Local Municipality:

- Premier's Coordinating Forum (MM and Mayor)
- Premier's Coordinating Technical Forum (MM and Technical Managers)
- SALGA: LED Committee, Finance Committee, Corporate Governance Committee
- Province:
- DWA: Bulk Water Committee
- COGTA: Infrastructure Forum
- District: DME and Electricity Forum, LED Forum, Finance Forum, Technical Forum

Component C: Public Accountability and Participation

The Nketoana municipality has put in place specific arrangements to ensure the realisation of public accountability in and between its political and administrative branches. These arrangements include the following:

- The separation of duties, with a formal, written set of delegation of powers and authority to arrange the relationship among these various structures.
- Institutional controls, including information systems, administrative policies, plans and strategies.
- The implementation of strategic planning arrangements (IDP, SDBIPs) to formalise Council's performance priorities and guide managers in their operational activities.
- The implementation of a performance management system to monitor and evaluation the performance of the municipality and its managers against the IDP and SDBIP objectives and targets.
- An Audit Committee evaluate the service delivery and financial performance of the municipality and advise Council and management regarding appropriate improvement enhancing initiatives and controls.

The Municipality involve our communities in its affairs by means of public advertisements of the Integrated Development Plan and Service Delivery and Budget Implementation Plan, as well as its performance plans, with specific reference to the Annual Report. They also advertise the activities of the Oversight Report and invite participation from their communities.

The community also participate through the structures of the IDP Representative Forum and the annual IDP and budget road shows that we conduct annually. Politicians and managers also conduct public engagement session when major new (or reviewed) by-laws, policies, strategic or sector plans and strategies are considered.

2.2 IDP Participation and Alignment

The Municipality compiles its IDP in terms of the relevant laws and regulations; implying the following:

- The municipality has identified impact, outcome, input and output indicators
- The IDP contains priorities, key performance indicators and development strategies
- The IDP has short, medium and long-term strategic targets
- The budget is aligned with the performance indicators and targets from the IDP
- The IDP is aligned to the performance agreements of section 56/57 managers
- The IDP indicators and targets are translated into in-year performance indicators and targets through the SDBIP
- The IDP and SDBIP indicators are translated to the public
- A mid-year budget and performance report and an Annual Report were compiled to reflect performance in terms of the IDP and SDBIP

Persisting challenges that reduce the efficiency of existing community engagement structures and processes include the following:

- The possibility always exist that community members and stakeholders do not turn up for meetings. Various methods of notifying people of the meetings are used to ensure optimum attendance of meetings.

Component D: Corporate Governance

The Municipality has considerably strengthened its corporate governance capacity with implementation of an Audit Committee and the approval of an Anti-fraud and Corruption Policy.

2.3 Risk Management

Accountability is the key to providing a deterrent for fraud and theft. Training limits the opportunity for staff to claim ignorance when policies are being enforced as stated in the Fraud Prevention Plan Strategy.

Risk assessment should address both the internal and external environments and they should cover all functions and operations to establish the level, nature, form and likelihood of risk exposure. This is accomplished by the:

- Identification of specific fraud risks that may be present within each operational management unit
- Assessment of the effectiveness of internal controls in force that would tend to impact on the risks identified.
- Determination of an overall risk rating for each risk identified
- Development of strategic measures to counter the impact of each fraud risk in light of individual risk ratings.

A risk management plan has since been compiled; which will inform the internal audit plan of the municipality.

The Municipality has identified the following key risks:

- Global Warming - Unsustainable extraction of freshwater and other human interference with the water cycle are the immediate causes of water scarcity within a river basin as well as reductions in rain falls which will affect the supply of clean water. Increase in air pollution also affects the quality of water. These will ultimately lead to an increase in purification costs.
- Disaster mechanisms shortfalls. The backups of the financial systems are stored on site, no off-site storage of backups is being done. The data that is back up on site is not tested to ensure it can be restored should the need arise.
- Cost recovery: The municipality has not been able to collect all its debts effectively. Consumer debtors amounted to R195 million in the previous financial year. Provision for impairment amounted to R153 million. There has been slow recovery of debts from the consumer. Non-payments could affect the income generation capacity of the entity and threaten the survival of the municipality.
- Roads Infrastructure: Poor condition and poor maintenance of internal roads infrastructure which impact the service delivery.
- The municipality is rendering the fire brigade services. The staff and equipment located at the Head office has to service the whole of Nketoana Area. However the municipality does not have the necessary equipment and staff to render these services.
- There is a shortage supply of bulk water supply in Mamafubedu (Petrus Steyn), Lindley and Arlington which affects the service delivery.
- Water networks need to be upgraded so as to avoid possible water contaminations, spillage of water and improve the quality of drinking water.
- Electricity distribution system is currently operating at full capacity and has to be upgraded in order to accommodate future extensions. Existing low voltage problems experienced will also have to be upgraded in future.
- Storm Water: Almost 70% of all systems in both Reitz and Petsana are not functioning properly which could lead to flooding. The lack of maintenance of existing storm water systems contribute to the problem. The maintenance of existing channels are poor and render the channels ineffective when storm water needs to be controlled.
- The municipality renders services with very old vehicles. Equipment maintenance is done regularly due to the age and vehicles spares are not always available. Consequently it becomes very costly for the municipality to maintain and service the vehicles.
- Sanitation: VIP toilets in Arlington need to be converted to water bourn systems.
- There is a lack of distribution failures reporting mechanisms. The community may not be informed timeously regarding electricity and water failures.
- Water Affairs Minister red flagged Nketoana Local Municipality as one of the municipalities within the Free State where residents were warned about the conditions of tap water.

Risk Register

The most important risks as stated in the risks register are:

Directorate	Section	Objective	Risk	Root Cause	Risk Reference number (RRN)	Consequence of the risk (Impact)	Inherent risk exposure				Current controls (mitigation)	Residual risk exposure				Action to improve management of risk	Risk Owner
							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
Financial Services																	
	Revenue Management	Financial viability and management	Municipality's inability to collect debts resulting to write-off	Lack of implementation of applicable legislations and policies	FS 01	An ongoing audit qualification; Failure to sustain service delivery.	5	5	25	high	Implementation of credit control policy	4	4	16	high	Management need to ensure that credit control policy is fully implemented	Chief Financial Officer
		Financial viability and management	Reliance on conditional grants for sustainability	Lack of plans to source/secure additional income	FS 02	Failure to sustain service delivery; Non-achievement of council's objectives	4	4	16	high	There is no control currently in place	4	4	16	high	Management to engage other stakeholders to look into means of sourcing additional income to enhance/sustain service delivery.	Chief Financial Officer
		Financial viability and management	incorrect billing	shortage of meter readers due to management oversight	FS 03	customer dissatisfaction which may lead to unrests	4	4	16	high	appointed meter readers	4	3	12	medium	appointment of skilled meter readers and monitoring of meter readings monthly	Chief Financial Officer

Directorate	Section	Objective	Risk	Root Cause	Risk Reference number (RRN)	Consequence of the risk (Impact)	Inherent risk exposure				Current controls (mitigation)	Residual risk exposure				Action to improve management of risk	Risk Owner
							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
	Payroll Management	Effective management of finance and development of necessary measures for full accountability and reporting	Inaccurate and late payment to third parties	Lack of monitoring and Cash flow problems	FS 04	Fruitless, Wasteful and Unauthorised expenditure due to penalties	4	5	20	high	Third parties are now being paid together with the salaries, latest by month end;	3	4	12	medium	Payment to third parties to be monitored on monthly bases and reconciliations be performed.	Chief Financial Officer
		Financial viability and management	Increased litigation expenditure due to employee claims	Inaccurate progression of salaries; Payroll system not automated.	FS 05	Financial loss; Wasteful expenditure; Audit qualification.	4	3	12	medium	VIP payroll system is automated though there are human errors in feeding information.	3	3	9	medium	Payroll system to be set to automatically update salary notches in accordance with approved salary scales	Chief Financial Officer
		Financial viability and management	Payment of salaries to fictitious employees	Lack of management controls, Poor financial system administration	FS 06	Fraud and Corruption; Financial loss	5	4	20	high	The employee numbers afford the opportunity to allay such errors.	4	4	16	high	Monthly monitoring of salary payments and head count of employees on the payroll. Segregation of duties	Chief Financial Officer



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		Financial viability and management	Over/Under-payment of individual employees salaries	Salaries not accurately calculated as per SALGBC and Public Office Bearers Act.	FS 07	Audit qualification; Loss of funds; Increase irregular and unauthorised expenditure	3	4	12	medium	Salaries paid in accordance with appointment letters as received from HR department	3	3	9	medium	Salaries to be paid according to the staff establishment and in compliance with SALGBC and Public Office Bearers Act	Chief Financial Officer
		Financial viability and management	Over payment on councillors remuneration.	Lack of management oversight and control; Poor interpretation of government gazette	FS 08	Audit qualification; Loss of funds; Increase irregular and unauthorised expenditure	4	4	16	high	Collective interpretation of the government gazette and monitoring of interpretation.	2	4	8	medium	Management to ensure that Councillors' remuneration is accurately calculated and paid according to government gazette.	Chief Financial Officer
		Financial viability and management	Irregular overtime payment	Lack of monitoring, Poor planning	FS 09	An ongoing audit qualification; Increased irregular expenditure	4	4	16	high	Monitoring of overtime referred to Human Resource Management; approval of overtime is granted prior to execution and is restricted to legislated time.	4	4	16	high	Sound and effective planning for municipal events and meeting. Time off clause to be applied against overtime exceeding regulated time.	Chief Financial Officer



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	Budget and reporting	Effective management of finance and development of necessary measures for full accountability and reporting	Non compliance with reporting regulations	Late submission of necessary reports to regulated bodies as required by DoRA and MFMA	FS 10	Failure to account for conditional grants resulting in increased liability and reduce future funding; Audit qualification.	4	4	16	high	Section 71 and 72 reports and other reports are submitted on time as regulated	3	3	9	medium	Monthly monitoring of submission of all regulated reports to the relevant stakeholders	Chief Financial Officer
		Effective management of finance and development of necessary measures for full accountability and reporting	Non alignment of budget to Integrated Development Plan	Planning in silos; Lack of monitoring; Lack of funding	FS 11	Poor service delivery; Community unrest.	3	4	12	medium	Service Delivery and Budget Implementation Plan is compiled as a link between IDP and the Budget	3	4	12	medium	Budget to be informed by the SDBIP	Chief Financial Officer
		Effective management of finance and development of necessary measures for	Non preparation of bank reconciliations not performed	lack of training, lack of management oversight	FS 12	financial loss, fraud and corruption	4	5	20	high	preparation of monthly bank reconciliations	3	5	15	high	management should ensure that officials are empowered with relevant skills to execute their duties	Chief Financial Officer



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		full accountability and reporting															
		Effective management of finance and development of necessary measures for full accountability and reporting	Late identification of losses	Reconciliations not performed continuously and timeously to correct errors.	FS 13	Loss of funds; Over/Understatement of Assets and Liabilities	3	3	9	medium	Revenue, Expenditure, Creditors and Bank reconciliations are performed on monthly bases	2	3	6	low	Monitoring of monthly performance of all necessary reconciliations	Chief Financial Officer
	Asset Management	Effective and efficient management of municipal resources	Misuse of municipal assets	Non compliance with policies; Poor controls and monitoring.	FS 14	Loss or damage to municipal assets; Financial loss	4	4	16	high	management accounting accountant is monitoring usage of assets and ensures that assets are verifiable	3	4	12	medium	Assets need analysis to be performed per department. Monitoring of compliance with Assets Management Policy	Chief Financial Officer

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		Effective management of finance and development of necessary measures for full accountability and reporting	Loss of interest on investment	Investment register not maintained; reconciliations not performed; Lack of controls and monitoring.	FS 15	Financial loss; Audit qualification; Fraud and Corruption.	3	4	12	medium	Reconciliations are performed monthly and interest accounted accordingly	2	3	6	low	None	Chief Financial Officer
		Effective management of finance and development of necessary measures for full accountability and reporting	Excessive bank charges incurred.	Petty Cash not in place; Poor cash management; Cost versus Benefit analysis is not performed.	FS 16	Audit qualification; Loss of funds; Increased fruitless and wasteful expenditure.	3	3	9	medium	Payments are made in bulk batches resulting to low bank charges.	2	2	4	low	None	Chief Financial Officer
		To ensure that all the assets of the municipality are fully insured	Assets not insured or underinsured	Failure to insure assets immediately after procurement; Lack of supporting documents.	FS 17	Financial loss; Audit qualification	3	5	15	high	Assets are insured at the cost price immediately upon delivery	2	4	8	medium	Statement from insurance company be obtained and reconciled with actual physical assets of the municipality	Chief Financial Officer



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	Supply Chain Management	Effective management of finance and development of necessary measures for full accountability and reporting	Non compliance with the SCM policy, MFMA and regulations	Lack of management controls; Shortage of suppliers in the area.	FS 18	Audit qualification; Loss of funds; Increase irregular and unauthorised expenditure; Fraud and Corruption	4	4	16	high	Agency has been appointed to handle bookings of accommodation and deviations are done only on emergencies.	3	4	12	medium	Departmental procurement plans be established quarterly to allow enough time for SCM process to unfold.	Chief Financial Officer
		Effective management of finance and development of necessary measures for full accountability and reporting	Non compliance with the contractual terms by suppliers	No Memorandum of Understanding between parties; No Service Level Agreements.	FS 19	Supplier/Service Provider may fail to deliver according to predetermined specifications	5	4	20	high	SCM committees are fully functional. SLA's entered into between the Municipality and Service Providers	4	4	16	high	Service Provider's performance to be evaluated against SLA's and continuously be monitored	Chief Financial Officer
		Ensure compliance with policies, regulations and legislations	Contracts awarded may be disputed by other applicants	Tenders not advertised in accordance with MFMA, MSA and SCM regulations	FS 20	High cost of litigation; Loss of reputation	4	4	16	high	Tenders are advertised on local and national newspapers.	3	4	12	medium	All tenders to be advertised on the Municipality's website, notice boards and be registered on CBID.	Chief Financial Officer



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		Ensure compliance with policies, regulations and legislations	procurement of goods or services without prior approval or authorization	poor planning and absence of departmental procurement plan	FS 21	unauthorised expenditure possibly leading to qualified audit opinion	5	3	15	high	SCM unit require approved requisition form before sourcing quotations	3	3	9	medium	Head of departments should develop procurement plan and submit to Supply Chain Management Unit	Chief Financial Officer
		Financial viability and management	Procurement of goods or services from non qualifying suppliers	Lack of management control; Vetting of suppliers not performed.	FS 22	Financial loss; Poor quality of goods delivered; Fraud and Corruption; Poor service delivery.	4	5	20	high	Implementation of supply chain management policy	4	4	16	high	Vetting of suppliers against treasury database of defaulters to be performed prior to appointment.	Chief Financial Officer
	Expenditure Management	Ensure payment of creditors within 30 days as per MFMA	Inability to pay creditors within legislated period.	Lack of management controls; Insufficient funds available	FS 23	Suppliers may refuse to provide municipality with credit; Increased fruitless/wasteful expenditure.	5	4	20	high	Creditors are paid every Thursday provided that all necessary documents are provided and that municipality has money to pay	4	4	16	high	enhancement of revenue collection and controlling of expenditure	Chief Financial Officer
		Ensure proper filing and safeguarding of documents	Loss of supporting documents for payments	Poor filing and communication between SCM, Expenditure	FS 24	Failure to provide supporting documents for audit purposes; Audit	4	4	16	high	supporting documents are properly filed and access is	3	3	9	medium	Safe document storage area be provided and access be restricted to an official	Chief Financial Officer



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		ments	made.	and Registry		qualification.					restricted to files					specialist trained for filling.	
		Ensure that payments made are accurate (i.e. the correct amount is paid to the correct supplier's account)	Inaccuracy of payments made (payments made for services not rendered)	Negligence by officials; Lack of management checks; Non performance of expenditure reconciliations	FS 25	Fraud and Corruption; Financial loss; Audit qualification	5	4	20	high	Payments are made against orders and delivery notes; Creditors reconciliations are performed on monthly bases.	4	4	16	high	Confirmation of creditor's details to be made before every payment is processed and bank reconciliation be made monthly and reviewed by CFO	Chief Financial Officer
	Financial Statements	Effective management of finance and development of necessary measures for full accountability and reporting	Non compliance with section 122 of the MFM A	Non preparation of monthly reconciliation statements; Quarterly financial statements not prepared; Lack of Controls.	FS 26	Disclaimer audit opinion; Poor reputation; Non Compliance with legislation.	3	5	15	high	make appointment to do AFS	3	3	9	medium		Chief Financial Officer
Corporate Services																	

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	Office of the Executive Mayor and Speaker	Provision of leadership and oversight for good governance	Failure to comply with schedule of Council Meetings	Late distribution of agenda to councillors; Unavailability of councillors	CS 01	Delays in service delivery; Community unrest; Non compliance with legislations and regulations	3	4	12	medium	Schedule of council meeting to be adhered to for EXCO and Council agenda to be compiled timeously.	2	4	8	medium	Schedule of Council meeting be developed having considered important MFMA calendar dates, other important government dates and distributed to all Councillors in the beginning of the year	Director: Corporate Services
		Ensure timely and appropriate implementation of council's resolutions	Failure to implement Council's resolution appropriately and timeously	cash shortfall	CS 02	Poor service delivery; Community unrest; Poor Council reputation.	4	4	16	high	Resolution register is maintained and updated continuously. However monitoring has not been effective.	3	4	12	medium	Resolutions to be registered and progress on implementation reported in every Council meeting thereafter	Director: Corporate Services
		Create a responsive and accountable administration	Community dissatisfaction	Ineffective community participation	CS 03	Unrealistic perceptions; Community unrest.	4	4	16	high	Community is invited to comment on municipality's and performance through local newspapers and radio stations.	3	4	12	medium	Development of Communication strategies between the District Municipality and other stakeholders (including community leaders)	Director: Corporate Services



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		Provision of leadership and oversight for good governance	Late submission of Agenda items to Office of the Speaker	Section 79 committees not seating as expected.	CS 04	Postponement of Council meetings; Non compliance with legislation.	3	4	12	medium	register is maintained to record the time agenda was delivered	3	4	12	medium	The Mayor and Municipal Manager to ensure that committees seat as expected	Director: Corporate Services
	Registry	Ensure sound and effective records management	Inadequate records management	Poor filing system; Non utilisation of applicable records management procedures.	CS 05	Loss of documents; Failure to attend to incoming correspondence in required timeframes; Poor accountability due to lack of accurate records	3	4	12	medium	Finance has the required storage space and maintains their own filing. The access is controlled to central record keeping area.	3	4	12	medium	Training to be provided to registry staff and secretaries on applicable record management procedures and all other staff be workshoped thereafter.	Director: Corporate Services
		Ensure sound and effective records management	Lack of access control	decentralised registry office	CS 06	Loss of documents	4	4	16	high	access control	3	3	9	medium	access need to be restricted	Director: Corporate Services
		Ensure sound and effective records management	Loss of critical information.	Access to central filing point not restricted; Poor security system; Lack of management	CS 07	Loss of documents; Unauthorised access to confidential/prevalged information	4	4	16	high	Biometric system has been installed at the entrance of central filing point to control	2	4	8	medium	Access to central filing point to be restricted to only authorised staff; Register of access be kept.	Director: Corporate Services



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				management controls.							access.						
	Skill Development	Ensure continuous skills and professional development across all departments	Inability to provide sufficient training	lack of funds	CS 08	Poor performance; Low employee morale; Poor service delivery.	4	4	16	high	national programs and WSP study grants	3	3	9	medium	employees should register long term courses and consider use of study grants	Director: Corporate Services
		Ensure continuous skills and professional development across all departments	deviation from WSP	Non centralisation of training programs	CS 09	low employee morale	4	4	16	high	compliance to WSP	3	3	9	medium	implementation of work skills plan	Director: Corporate Services
	Recruitment	Ensure attraction and retention of suitably qualified candidates	Appointment of incompetent personnel	Nepotism; Inadequate advertisement of vacancies; Non compliance with HR policy; Vetting not performed.	CS 10	Poor performance; Low employee morale; Poor service delivery.	4	4	16	high	Only suitable candidates meeting specified requirements according to advertisement are shortlisted.	3	4	12	medium	Recruitment to be applied strictly in accordance to the Human Resources Policy manual and evidence maintained.	Director: Corporate Services

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							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
											sted, interviewed and appointment made.						
		Ensure that employees are remunerated according to their appointments	Salaries of employees not falling within approved post levels	Adjustment of organisational structure not made as resolved by Council.	CS 11	Low employee morale; Audit qualification; Fraud and Corruption	4	4	16	high	Organogram review is in progress to address the problem.	3	4	12	medium	Salaries of all employees to be in accordance to their placements as per approved organogram. Adjustment to the organogram to be implemented immediately after the Council has resolved as such.	Director: Corporate Services
		Maintain institutional capacity and accompanying programmes	Unfair labour practices	Ineffective grievance procedure; Lack of professional ethics; HR policies not reviewed.	CS 12	Non compliance with Labour Relations Act; Low employee morale and Basic Conditions of Employment Act; Increased litigation costs.	4	4	16	high	Local Labour Forum is in place and effectively functioning; Good relationship is maintained between the institution and labour	3	4	12	medium	Workshop on LRA, BCEA and how to launch a grievance to be organised for management and staff. Policies be reviewed annually and employees to sign code of conduct	Director: Corporate Services

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											unions.					and code of ethics.	
		Maintain institutional capacity and accompanying programmes	Increased sick leave taken by employees	Employee wellness programme not in place; Lack of management controls.	CS 13	Low productivity; Loss of competent employees; Poor service delivery.	4	5	20	high	A service provider has been appointed to draw wellness programme and implement it.	3	5	15	high	All employees to be encouraged to participate in wellness program	Director: Corporate Services
	Leave Administration	Ensure sound and effective leave administration is maintained	Leave accruals in excess of legislated 48 days.	Poor leave control and monitoring; Monthly leave reconciliations not performed	CS 14	Non compliance with legislation; Audit qualification; Unauthorised expenditure.	4	4	16	high	Employees were informed that leave days in excess of 48 days will be forfeited. Memoandum has been issued informing staff to do leave plans with their supervisors.	4	3	12	medium	Monthly leave reconciliation and monitoring to be maintained and employees with leave numbers in excess of legislated number to be instructed to take the difference.	Director: Corporate Services



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		Ensure sound and effective leave administration is maintained	Leave forms not completed for leave taken.	Lack of management controls and oversight.	CS 15	Fraud and Corruption; Unauthorized, irregular or fruitless expenditure; Audit qualification	4	4	16	high	Biometric system has been installed to assist in monitoring attendance; however not yet activated.	3	4	12	medium	Management to ensure that all employees are at all times present at work, if not, leave be granted in-advance; otherwise they be granted unpaid leave.	Director: Corporate Services
		Ensure sound and effective leave administration is maintained	Leave not captured timely	Lack of management controls and oversight; Shortage of staff; Other staff placed at satellite offices	CS 16	Loss of information; Audit qualification; Employees may take more leave than entitled.	5	4	20	high	Vacancies in HR were filled and more learnership candidates placed in HR Offices. Employee self-service system to be implemented to allow those in remote offices apply for leave at their stations.	3	4	12	medium	Leave to be captured timely, preferably weekly, to ensure that leave balances on the system are up-to-date.	Director: Corporate Services



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Office of the Municipal Manager		Ensure sound and effective leave administration is maintained	Injuries at work/unhealthy work environment	(Occupational Health and Safety Officer and Health and Safety Committee not placed)	CS 17	Loss of life	4	5	20	high	use of personal protective equipments	4	4	16	high	health and safety committee be functional and OHS Officer post be filled	Director: Corporate Services
	Performance Management System	Maintain institutional capacity and accompanying programmes to effectively implement IDP	Failure to monitor performance of individual employees.	Performance management system not functional; Performance agreements not cascaded to middle management and other officials.	MM 01	Poor performance; Poor service delivery; Audit qualification.	5	4	20	high	Performance Agreements have been entered into between municipality and section 56 managers.	4	4	16	high	All managers and other official to have performance agreements. Performance to be assessed quarterly and exceptional performance be rewarded.	Manager: IDP and PMS
		Maintain institutional capacity and accompanying programmes to effectively implement	KPI's on the SDBIP not well defined and verifiable	Lack of oversight and monitoring of procedures and processes.	MM 02	Poor performance; Poor service delivery; Audit qualification.	4	4	16	high	Service Provider has been appointed to assist in implementing performance management	3	4	12	medium	KPI's to be reliable, well-defined, verifiable, cost-effective, appropriate and relevant.	Manager: IDP and PMS

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							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
		ment IDP									nt system.						
		Create a responsible and accountable administration	Inaccurate and unreliable performance reported.	Lack of oversight and monitoring of procedures and processes; Supporting documents not provided for evidence.	MM 03	Audit qualification.	4	4	16	high	Performance assessed quarterly based on SDBIP and verified by evidence	3	4	12	medium	Evidence (supporting documents) to be provided to support performance reported.	Manager: IDP and PMS
	Integrated Development Plan	Ensure development of a compliant and credible IDP informed by community needs.	IDP not complying with guidelines	Poor public participation; Non adherence to IDP process plan; Lack of participation by other sector departments.	MM 04	Poor service delivery; Community dissatisfaction and unrest.	4	5	20	high	Community is always invited for IDP process planning	3	4	12	medium		Manager: IDP and PMS



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		Ensure development of a compliant and credible IDP informed by community needs.	Unrealistic IDP targets	Unavailability of funding; Capacity constraints, Non alignment of IDP with NDP.	MM 05	Poor service delivery; Community dissatisfaction and unrest; Over expectations.	4	4	16	high	There is no control currently in place	3	4	12	medium	IDP targets to be informed by funding available to the District, Local municipalities and other sector departments.	Manager: IDP and PMS
	Internal Audit	Create a responsible and accountable administration	Failure to cover all audit areas as per coverage plan.	Inadequate capacity; Shortage of staff; Lack of management support.	MM 06	Audit qualification; Failure to test controls efficiency and advice management on improvement.	5	4	20	high	Manager: Internal Audit and one Internal Auditor appointed to execute functions of internal audit.	4	4	16	high	Organisational Structure is currently under review to accommodate Senior Internal Auditor position and additional Internal Auditor.	Municipal Manager
		Create a responsible and accountable administration	Negative Audit Opinion	Non implementation of internal audit recommendations; Lack of commitment to implement action plan.	MM 07	Negative reputation of the municipality; Non achievement of Clean Audit.	4	5	20	high	Audit action plan is in place; Follow-up on progress on implementation of recommendation.	2	5	10	medium	Implementation of Key Control Matrix; Municipal Manager to assess departments on implementation of Internal Audit recommendations.	Municipal Manager



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		Create a responsive and accountable administration	Failure to audit IT applications and processes	There is no IT Audit specialist in the unit.	MM 08	Audit qualification; IT fraud can be committed if there are control deficiencies	5	5	25	high	Reliance on auditor general to audit IT controls	3	5	15	high	Continuous IT risk assessment and audit	Manager: Internal Audit
	Risk Management	Ensure that Risks that will hinder achievement of Council objectives are identified.	Failure to compile credible Risk Register	Inadequate capacity (vacant post of risk management officer); Shortage of staff; Lack of management support.	MM 09	Internal Audit cannot compile risk based audit plans; Failure to respond to risks; Audit qualification.	4	4	16	high	internal audit officer appointed as acting internal audit and risk management manager has been appointed to implement Enterprise Risk Management.	4	4	16	high	Management to review staff establishment and consider establishing a credible Risk Management Unit headed by the Chief Risk Officer.	Municipal Manager
		Ensure that Risks that will hinder achievement of Council objectives are identified.	Failure to update risk register continuously	Shortage of staff; Lack of management support.	MM 10	Inability to identify and respond proactively to emerging risks	4	4	16	high	internal audit unit assumed risk management responsibilities	4	4	16	high	Appointment of departmental Risk Champions and speedy appointment of independent risk management unit	Municipal Manager



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	Information Technology	Ensure that all IT systems are fully functional to enhance Business Continuity	IT Systems failure	Poor internet coverage; Inadequate IT infrastructure.	MM 11	Poor service delivery; Late payments of service providers, salaries and third parties; Loss of information.	4	4	16	high	Business Continuity Plan has been developed	4	4	16	high	IT risk assessment and internal controls audit to be performed continuously,	Municipal Manager
		Ensure that all IT systems are fully functional to enhance Business Continuity	Late attendance of technical problems	Inadequate capacity; Shortage of staff; Lack of management support.	MM 12	Delays in service delivery; Poor performance.	4	4	16	high	IT unit try to attend technical problems in time	4	4	16	high	Management to review staff establishment and consider capacitating the ITunit with enough and qualified staff.	Municipal Manager
Community Services																	
	Fleet Management	Ensure proper maintenance and use of municipal vehicles	Usage of municipal fleet for private purposes.	Lack of management controls; Inadequate information on the trip authority.	CS 01	Overspending on fuel and maintenance. Ageing of municipal vehicles .	4	4	16	high	Requisitions for Fleet approved by the manager of the department concerned.	2	4	8	medium	The trip authority to be amended to include details such as, number and names of persons in the vehicle, destination and the route of a trip.	Director or Community
		Ensure proper maintenance and use	Late identification of damages to municipal	Inadequate inspection of vehicles before and after	CS 02	Increase in unaccounted costs of repairs; Disputed insurance	4	4	16	high	Minor inspection for scratches and dents are	4	4	16	high	Fleet Officer to undergo training on vehicle inspection and perform	Director or Community

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		of municipal vehicles	vehicles.	the trip		claims.					done by security officers					inspection accordingly.	
		Create a responsive and accountable administration	Variance between Bank Statement and Fuel slips (invoices)	Statement on Fuel cards usage not performed; Reconciliation not performed.	CS 03	Fraud and Corruption; Audit qualification	5	4	20	high	There is no control currently in place	5	4	20	high	Fleet Officer to perform statement of Fuel card usage on monthly bases and issues monthly reports.	Director Community
	Refuse Removal	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good waste management in the municipal area	non collection of refuse as per SDBIP	under staffed frequent fleet breakdown and unskilled staff. Whether conditions	CS 04	Delay in service delivery Loss of income community dissatisfaction that may lead to unrests. Ill	5	4	20	high	supervision. .. use of one hired compact truck	4	4	16	high	functional mechanical workshop. Training of staff. Procurement of two 10 ton compact or trucks. Filling of funded vacant posts	Director Community

Directorate	Section	Objective	Risk	Root Cause	Risk Reference number (R/RN)	Consequence of the risk (Impact)	Inherent risk exposure				Current controls (mitigation)	Residual risk exposure				Action to improve management of risk	Risk Owner
							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
	Parks and Cemeteries	To ensure effective management of graveyards and cemeteries in the Nketoana municipal area	failure to provide graves for funeral services	aging of TLB plant under staffed and unskilled staff. Whether conditions. Miscommunication between the community services and department	CS 05	community dissatisfaction that may lead to unrests. possible law suit.	5	4	20	high	use of hired TLD. Use contract employees..filling of grave applications	4	3	12	medium	Procurement of TLB and hiring of skilled labour (brick-layers).	Director or Community
		To have well maintained municipal parks and open spaces for provision of recreation	failure to maintain all parks and open spaces	shortage of machinery. under staffed and unskilled staff ..shortage of fleet	CS 06	unmaintained parks and open spaces increase rate of crime. environmental hazards (increases rodents and snakes populations..possible fire hazards	4	4	16	high	use of contract staff	5	4	20	high	land audit to be conducted to determine park lands for municipality...procurement of fleet and machinery	Director or Community
		To have well maintained public and sports facilities for recreation activities	unmaintained sports and recreational facilities	lack of staff and machinery	CS 07	increase crime activities	4	3	12	medium	use of contract staff to maintain recreational facilities	3	3	9	medium		Director or Community

Directorate	Section	Objective	Risk	Root Cause	Risk Reference number (RRN)	Consequence of the risk (Impact)	Inherent risk exposure				Current controls (mitigation)	Residual risk exposure				Action to improve management of risk	Risk Owner
							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
		To have well maintained public and sports facilities for recreation activities	Drowning of community members in municipal swimming pool	availability of skilled life guard	CS 08	loss of lives	4	5	20	high	no control	4	5	20	high	appointment of skilled life guard	Director or Community
		To have well maintained public and sports facilities for recreation activities	Drowning of community members in municipal swimming pool	availability of skilled life guard	CO M09	loss of lives	4	5	20	high	no control	4	5	20	high	appointment of skilled life guard	Director or Community
	Local Economic Development & Tourism	Maintain institutional capacity and accompanying programmes to effectively implement IDP	Failure to provide training for SMMs/ Entrepreneurs	Lack of funding; Lack of management support; Unavailability of adequate information.	CO M10	Increased unemployment and poverty; Increased crime rate; excessive duplication of projects.	4	3	12	medium	training provided based on needs analysis	3	4	12	medium	Researcher be appointed to source new economic opportunities within the MUNICIPALITY	Director or Community
		Maintain institutional capacity and accompanying programme	Failure to attract investment into the area.	Inadequate LED strategies; Lack of integrated marketing; Inadequate	CO M11	Increased unemployment and poverty.	4	4	16	high	There is no control currently in place	4	4	16	high	Development of economic development plan and integration with local municipalities economic	Director or Community

Directorate	Section	Objective	Risk	Root Cause	Risk Reference number (RRN)	Consequence of the risk (Impact)	Inherent risk exposure				Current controls (mitigation)	Residual risk exposure				Action to improve management of risk	Risk Owner
							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
		es to effectively implement IDP		research on available opportunities												Develop plans	
		Maintain institutional capacity and accompanying programmes to effectively implement IDP	Decrease in tourists interest	High crime level; Lack of marketing.	COM12	Increased unemployment and poverty.	3	4	12	medium	Increased community policing forums.	3	4	12	medium	Improve marketing of Tourism in Nketoana by the installation of Visual Tour	Director or Community
Technical Services																	
	Water services	To ensure that all (100%) of registered indigents have access to free basic water	Inability to provide all registered indigents with free basic water	Lack of financial and other resources.	TECH01	Poor service delivery; Community dissatisfaction.	4	5	20	high		1	3	3	low	None	Director or Technical

Directorate	Section	Objective	Risk	Root Cause	Risk Reference number (RRN)	Consequence of the risk (Impact)	Inherent risk exposure				Current controls (mitigation)	Residual risk exposure				Action to improve management of risk	Risk Owner
							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
		To ensure that 100 % of households in formal and informal settlements in the Nketoana municipal area have access to basic level of water by 2015	Inadequate assets management and maintenance	Poor infrastructure maintenance; Lack of assets management plan; Lack of financial and other resources.	TECH 02	Reduced asset lifecycle; Reduced asset value; Unreliable service provision.	4	4	16	high		1	3	3	low	None	Direct or Technical
		To ensure that 100 % of households in formal settlements in the Nketoana municipal area have access to basic level of sanitation by 2017	Failure to provide for sanitation to all households by 2017	Lack of management oversight to ensure that by 2017 all households will have access to basic level of sanitation	TECH 03	Delay in service delivery; Increased completion costs; Community dissatisfaction.	5	4	20	high	Forward planning is applied; Improvement in monitoring projects as per SLAs and vetting of suppliers.	3	4	12	medium	Sourcing of expanded External funding and lobbying for additional funding from reserves.	Direct or Technical

Directorate	Section	Objective	Risk	Root Cause	Risk Reference number (R/RN)	Consequence of the risk (Impact)	Inherent risk exposure				Current controls (mitigation)	Residual risk exposure				Action to improve management of risk	Risk Owner
							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
		To ensure that internal roads in the Nketoana municipal area are maintained and/or upgraded	inability to maintain internal roads	Cash flow problems. Shortage of equipments to maintain roads	TECH 04	Community dissatisfaction. Poor Service Delivery	4	4	16	high	employees responsible for maintaining roads.	3	4	12	medium	funds must be made available for maintenance and upgrading of internal roads	Director or Technical
		to ensure effective communication between municipality and community when there is major pipe burst	Lack of effective communication between municipality and community	there is no protocol in place	TECH 05	Community dissatisfaction possible unrests	4	4	16	high	we inform community about disruption of water supply	2	4	8	medium	there must be an employee delegated to communicate with the community or to inform community about disruption of water supply	Director or Technical
		To ensure that all (100%) of registered indigents have access to free basic water	illegal connections	insufficient stand pipes/communal taps	TECH 06	Pollution, Water loss and reduced pressure head	4	4	16	high	disconnect illegal connections	3	4	12	medium	disconnect illegal connections and impose a fine	Director or Technical

Directorate	Section	Objective	Risk	Root Cause	Risk Reference number (R/RN)	Consequence of the risk (Impact)	Inherent risk exposure				Current controls (mitigation)	Residual risk exposure				Action to improve management of risk	Risk Owner
							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
	Electrical Services	to ensure that 100 % of households in Nketoana Municipality has constant electricity supply	use of unqualified personnel in electricity section	Budget constraints	TECH 07	Delay in service delivery and exposure of being electrified	4	4	16	high	unqualified personnel work under supervision of qualified Electricians	3	4	12	medium	unqualified personnel to be capacitated through recognition of prior learning and also increase a number of qualified electricians	Director Technical
		to ensure that 100 % of households in Nketoana Municipality has constant electricity supply	electricity and cable theft	High indigency level within the municipality	TECH 08	Loss of income and power failure	5	4	20	high	meter audits	4	4	16	high	installation of smart metering	Director Technical
		to ensure that 100 % of households in Nketoana Municipality has constant electricity supply	thunder storms	natural course	TECH 09	Power failure due to thunder storms and damage to property (transformers) delay in water supply	5	4	20	high	installation of surge arresters and fuses to transformers and power lines	4	3	12	medium	increase protection on transformers and power lines	Director Technical

Directorate	Section	Objective	Risk	Root Cause	Risk Reference number (R/RN)	Consequence of the risk (Impact)	Inherent risk exposure				Current controls (mitigation)	Residual risk exposure				Action to improve management of risk	Risk Owner
							Likelihood	Impact	Score	Risk Rating		Likelihood	Impact	Score	Risk Rating		
		to ensure that 100 % of households in Nketoana Municipality has constant electricity supply	inability to provide personal protective equipment	Budget constraints	TECH 10	Injury on duty or loss of life	5	5	25	high	use of old PPE	4	4	16	high	management must provide personal protective equipment	Director or Technical
		to ensure that 100 % of households in Nketoana Municipality has constant electricity supply	frequent Vehicles breakdown	negligent drivers and aged vehicles	TECH 11	Loss of income and delay in service delivery	5	4	20	high	use of logbooks	3	4	12	medium	installation of vehicle trackers	Director or Technical
		to ensure that 100 % of households in Nketoana Municipality has constant electricity supply	shortage of staff (one mechanic to maintain about 60 vehicles of the municipality)	Budget constraints	TECH 12	Delay in service delivery Employee dissatisfaction Loss of income	5	4	20	high	outsource major repair works	3	4	12	medium	Filling of all critical vacant posts	Director or Technical

2.4 Anti-Corruption and Fraud

The terms fraud and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act,
- Forgery or alteration of any document, or account belonging to a customer,
- Forgery or alteration of a cheque, bank draft, or any other financial document,
- Misappropriation of funds, securities, supplies, or other assets,
- Impropriety in the handling or reporting of money of financial transactions,
- Accepting or seeking anything of (material) value from vendors or persons providing services/materials to the council (exception: perishable gift less than R100.00 in value intended for a group of employees, such as, (candy, flowers), and which are disclosed.
- Destruction or disappearance of records, furniture, fixtures, or equipment,
- Disclosing to outside persons security arrangement and procedures.
- Irregularities with procurement.

The Municipality has adopted a Fraud Prevention Plan Strategy, which touch on the following matters:

- Nketoana Local Municipality subscribes to the principles of good corporate governance, which requires conducting business in an honest and transparent fashion.
- Consequently Nketoana Local Municipality is committed to fighting fraudulent behaviour at all levels within the organization.
- The Plan is premised on the organizations core ethical values driving the business of
- Nketoana Local Municipality, the development of its systems, policies and procedures, the public and other stakeholders, and even decision-making by individual managers representing the organization. This means that in practice all departments and other business units of Nketoana Local Municipality and even external stakeholders must be guided by the plan as the point of reference for their conduct in relation to Nketoana Local Municipality.
- In addition to promoting ethical conduct within Nketoana Local Municipality, the Plan is also intended to assist in preventing, detecting, investigating and sanctioning fraud and corruption.
- This dynamic document details the steps, which have been, and will continually be taken by Nketoana Local Municipality to promote ethical conduct and address fraud and corruption.

The municipality has further also introduced the following measures to combat fraud and corruption in its ranks:

- Nketoana Local Municipality has created an Internal Audit Unit, which will include anticorruption capacity under the guidance of an Audit Committee. In terms of its Charter, the primary role of the Audit Committee will be to:
 - Evaluate the performance of internal audit;
 - Review the internal audit function's compliance with its mandate as approved by the Audit Committee;
 - Review and approve the internal audit charter, internal audit plans and internal audit's conclusions with regard to internal control;
 - Review significant differences of opinion between management and internal audit function;

Fraud Prevention Plan for Nketoana Local Municipality

- Evaluate the independence and effectiveness of internal auditors; and
- Review the co-operation and co-ordination between the internal and external audit function and co-ordinating the formal internal audit work plans with external auditors to avoid duplication of work.

The anti-corruption capacity within Nketoana Local municipality will be responsible for the investigation of allegations of fraud and corruption that is brought to its attention. Additionally, it will support the risk management procedures from a fraud risk identification perspective.

Nketoana Local Municipality recognises the fact that the positive support by all its managers for Internal Audit and its functions, speedy response to, and the addressing of queries raised by Internal Audit is vital to the success of the Plan. Where managers are found to be slow in addressing internal control and shortcomings raised by Internal Audit, firm action will be considered.

- Awareness strategies will also be developed to enhance managers' understanding of the role of Internal Audit.
- Nketoana local Municipality is also the subject of annual external audits. These audits include the following tasks:
- Examining evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.



2.5 Supply Chain Management

The Council implemented a Supply Chain Management policy and system. The policy regulates the procurement of goods and services for the municipality; as well as the management of and control over major municipal assets.

During the 2015/16 financial year, orders and procurement from the operating budget were as follows:

Figure / Table 2.3: Orders and Procurement, 2014/15

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
42. General expenses		
Advertising	113 804	110 110
Auditors remuneration	5 057 215	4 588 167
Bank charges	555 118	555 326
Cleaning	510 175	974 043
Commission paid	735 142	747 690
Consumables	829 636	775 003
Debt collection	-	3 338
Donations	928 500	388 154
Entertainment	405 665	419 521
Fines and penalties	100 436	231 768
Gifts (bursaries)	94 742	58 020
Insurance	1 154 395	1 048 676
Conferences and seminars	239 450	255 358
Promotions and sponsorships	53 050	15 580
Fuel and oil	4 137 616	3 799 829
Postage and courier	386 092	3 452
Printing and stationery	1 979 199	2 333 257
Promotions	911 019	754 004
Security (Guarding of municipal property)	342 764	1 878 067
Subscriptions and membership fees	1 563 202	813 723
Telephone and fax	822 603	1 251 515
Training	851 439	810 476
Travel - local	2 984 307	2 054 918
Refuse	629 417	592 231
Assets expensed	4 452 034	54 986
Electricity	15 975 381	10 410 711
Water	1 270	15 899
Uniforms	576 286	270 971
Tourism development	39 500	50 114
Licences	652 103	15 009
Chemicals	1 719 515	2 128 428
Other expenses	912 653	324 619
	49 713 728	37 732 963

2.6 Web-site (www.Nketoanana.gov.za)

The municipality's web-site at www.Nketoanana.gov.za is managed by the Department of the Premier.

The website is functional.



3.3 Electricity

Figure / Table 3.18: Energy or fuel for cooking: Nketoana, Thabo Mafutsanyana and RSA

	Nketoana	Energy or fuel for cooking as a %: Nketoana	Thabo Mafutsanyana District	Energy or fuel for cooking as a %: Thabo Mafutsanyana	RSA	Energy or fuel for cooking as a %: RSA
None	28	0%	410	0%	31390	0%
Electricity	12831	74%	169669	78%	10675094	74%
Gas	466	3%	8192	4%	507616	4%
Paraffin	611	4%	15990	7%	1227337	8%
Wood	2817	16%	17840	8%	1807606	13%
Coal	391	2%	4288	2%	104171	1%
Animal dung	153	1%	1207	1%	45349	0%
Solar	16	0%	233	0%	22255	0%
Other	5	0%	56	0%	29344	0%

(Source: Census 2011)

Figure / Table 3.19: Energy or fuel for cooking: 2001-2011

Census 2001			Community Survey 2007			Census 2011		
	Total house-holds	% of house-holds		Total house-holds	% of house-holds		Total house-holds	% of house-holds
None	0	0%		0	0%		28	0%
Electricity	5327	36%		9195	55%		12831	74%
Gas	473	3%		450	3%		466	3%
Paraffin	2761	18%		3374	20%		611	4%
Wood	3214	22%		2197	13%		2817	16%
Coal	2726	18%		1130	7%		391	2%
Animal dung	457	3%		402	2%		153	1%
Solar	49	0%		0	0%		16	0%
Other	32	0%		0	0%		5	0%
Not applicable	-							
Total	15039			16748			17318	

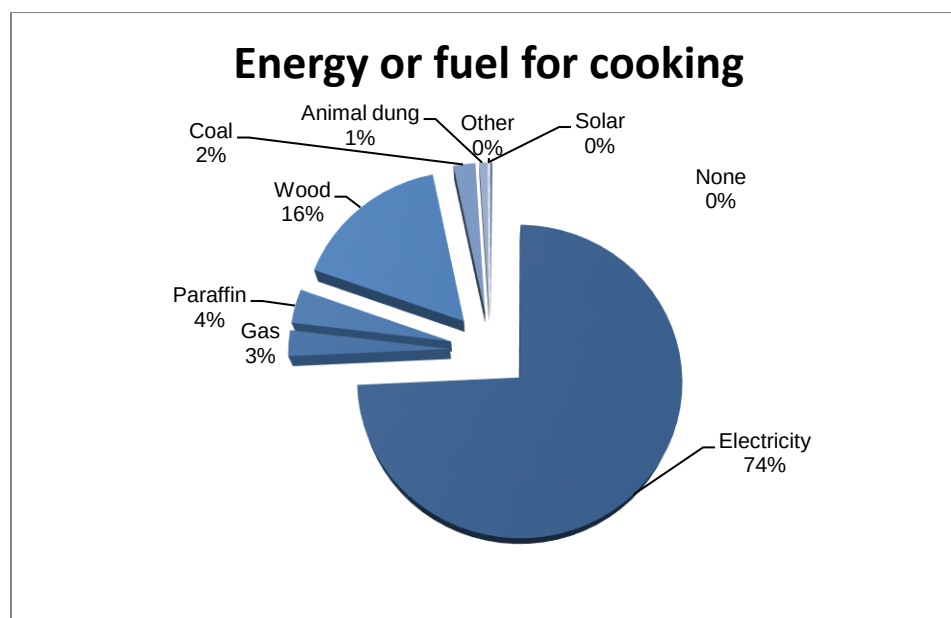
(Source: StatsSa)

Figure / Table 3.20: Energy or fuel for cooking according to category and per ward

	None	Electricity	Gas	Paraffin	Wood	Coal	Animal dung	Solar	Other
FS193: Nketoana	28	12831	466	611	2817	391	153	16	5
Ward 1	1	1628	60	32	178	27	2	-	-
Ward 2	4	1515	26	37	229	48	8	2	-
Ward 3	5	1929	15	44	131	14	28	6	2
Ward 4	3	1368	53	53	227	5	52	1	1
Ward 5	4	1215	53	124	314	21	22	-	-
Ward 6	-	1044	95	41	620	44	22	3	-
Ward 7	3	1490	66	72	398	72	13	-	1
Ward 8	4	1271	33	40	87	81	4	1	-
Ward 9	4	1370	65	168	635	80	2	3	-

(Source: StatsSa)

Figure / Table 3.21: Energy or fuel for cooking



(Source: StatsSa)

Figure / Table 3.22: Energy or fuel for heating: Nketoana, Thabo Mafutsanyana and RSA

	Nketoana	Energy or fuel for heating as a %: Nketoana	Thabo Mafutsanyana District	Energy or fuel for heating as a %: Thabo Mafutsanyana	RSA	Energy or fuel for heating as a %: RSA
None	1142	7%	14999	7%	1773372	12%
Electricity	9397	54%	105114	48%	8503109	59%
Gas	440	2%	7825	4%	357062	3%
Paraffin	447	3%	37974	17%	1230223	9%
Wood	4494	26%	33582	15%	2203384	15%
Coal	1193	7%	16486	8%	293949	2%
Candles (not a valid option)	0	0	-	0%	-	0%
Animal dung	185	1%	1612	1%	48251	0%
Solar	19	0%	281	0%	38370	0%
Other	2	0%	11	0%	2442	0%

(Source: Census 2011)

Figure / Table 3.23: Energy or fuel for heating: 2001-2011

Census 2001			Community Survey 2007			Census 2011		
	Total house-holds	% of house-holds		Total house-holds	% of house-holds		Total house-holds	% of house-holds
None	0	0%		0	0%		1142	7%
Electricity	4316	29%		5071	30%		9397	54%
Gas	166	1%		148	1%		440	2%
Paraffin	1337	9%		1887	11%		447	3%
Wood	3737	25%		3273	20%		4494	26%
Coal	4720	31%		5750	34%		1193	7%
Animal dung	470	3%		289	2%		0	0
Solar	57	0%		0	0%		185	1%
Other	233	2%		329	2%		19	0%
Not applicable	-			-			2	0%
Total	15039			16748			17319	

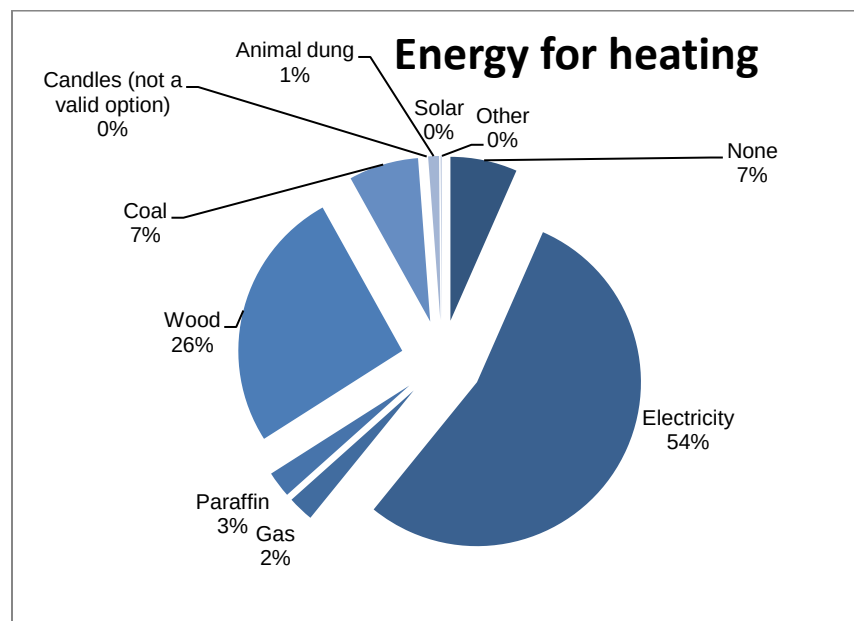
(Source: Census 2001, 2007, 2011)

Figure / Table 3.24: Energy or fuel for heating according to category and per ward

	None	Electricity	Gas	Paraffin	Wood	Coal	Candles (not a valid option)	Animal dung	Solar	Other
FS193: Nketoana	1142	9397	440	447	4494	1193	0	185	19	2
Ward 1	70	1267	40	27	394	126	-	3	1	-
Ward 2	235	879	29	29	548	136	-	12	1	1
Ward 3	160	1600	30	44	230	71	-	36	2	-
Ward 4	223	904	88	41	375	61	-	66	4	1
Ward 5	96	868	24	57	631	45	-	29	3	-
Ward 6	103	840	93	23	734	55	-	21	-	-
Ward 7	68	1264	77	67	473	150	-	12	2	-
Ward 8	99	830	28	40	206	311	-	5	3	-
Ward 9	87	944	29	119	904	239	-	1	3	-

(Source: StatsSA, Census 2011)

Figure / Table 3.25: Energy or fuel for heating



(Source: StatsSA, Census 2011)

Figure / Table 3.26: Energy or fuel for lighting: Nketoana, Thabo Mafutsanyana and RSA

	Nketoana	Energy or fuel for lighting as a %: Nketoana	Thabo Mafutsanyana District	Energy or fuel for lighting as a %: Thabo Mafutsanyana	RSA	Energy or fuel for lighting as a %: RSA
None	30	0%	426	0%	46621	0%
Electricity	14661	85%	189939	87%	12242401	85%
Gas	11	0%	246	0%	34347	0%
Paraffin	106	1%	2196	1%	426205	3%
Candles (not a valid option)	2459	14%	24625	12%	1649082	12%
Solar	50	0%	452	0%	51505	0%
Unspecified	-		-			
Not applicable	-		-			

(Source: Census 2011)

Figure / Table 3.27: Energy or fuel for lighting: 2001-2011

Census 2001			Community Survey 2007			Census 2011		
	Total house-holds	% of house-holds		Total house-holds	% of house-holds		Total house-holds	% of house-holds
None	0	0%		0	0%		30	0%
Electricity	11459	76%		12016	72%		14661	85%
Gas	20	0%		17	0%		11	0%
Paraffin	213	1%		375	2%		106	1%
Candles	3178	21%		4256	25%		2459	14%
Solar	101	1%		0	0%		50	0%
Other	67	1%		84	1%		0	0%
Not applicable	3	0%		0	0%		0	0%
Total	15039			16748			17317	

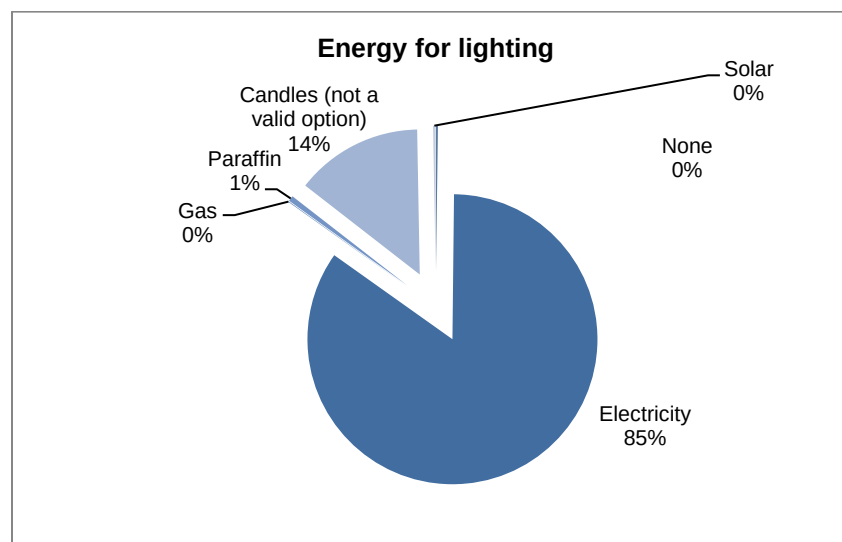
(Source: Statistics South Africa, 2001, 2007, 2011)

Figure / Table 3.28: Energy or fuel for lighting according to category and per ward

Wards	None	Electricity	Gas	Paraffin	Candles (not a valid option)	Solar
FS193: Nketoana	30	14661	11	106	2459	50
Ward 1	-	1785	-	3	136	5
Ward 2	3	1716	2	7	142	-
Ward 3	5	2035	-	9	120	4
Ward 4	2	1495	3	7	252	4
Ward 5	5	1328	-	17	391	13
Ward 6	2	1390	1	20	444	12
Ward 7	6	1806	3	4	291	3
Ward 8	1	1461	-	4	56	-
Ward 9	6	1645	3	35	629	8

(Source: Statistics South Africa, Census, 2011)

Figure / Table 3.29: Energy or fuel for lighting



(Source: Statistics South Africa, Census, 2011)

Figure / Table 3.30: Situation Analysis, Electricity

<i>Status Quo:</i>	<u>Reitz Town:</u> Nketoana receives Bulk Electricity supply from Eskom at an NMD of 8.5 MVA for Reitz Town and distributes it to about 1092 Consumers. The current Demand for Reitz Town is 7.6 MVA. Electricity supply in Reitz is stable with some interruptions due to aged infrastructure and natural causes. Protection on Switch gear at Reitz Main Substation was upgraded during the previous financial year (2015/2016). Reitz town has 07 semi-skilled Personnel to repair and maintain the Electricity Infrastructure. <u>Mamafubedu Town:</u> Nketoana receives Bulk Electricity supply from Eskom at an NMD of 1.5 MVA for Mamafubedu Town and distributes it to about 401 Consumers. The current Demand for Mamafubedu Town is 1.3 MVA. Electricity supply in Mamfubedu is stable with some interruptions due to aged infrastructure and natural causes. No project has been implemented in Mamafubedu Town during the previous financial year 2015/2016. Mamafubedu town has 04 semi-skilled Personnel to repair and maintain the Electricity Infrastructure. <u>Lindley and Ntha.</u> Nketoana receives Bulk Electricity supply from Eskom at an NMD of 3.5 MVA for Lindley/ Ntha and distributes it to about 4185 Consumers. The current Demand for Lindley/ Ntha is 2.6 MVA. Electricity supply in Lindley and Ntha is stable with some interruptions due to aged infrastructure and natural causes. Switch gear at Lindley main Substation was upgraded during the previous financial year 2015/2016 and also a 150m, 50mm² XLPE cable was upgraded to 70mm² at Lindley Main Substation. A 400m, 11KV line was constructed in Ntha Ext. 5 and 64 households were connected in Ntha Ext. 5 during the Phase 3 Electrification project in 2015/2016. Lindley and Ntha has 07 semi-skilled Personnel to repair and maintain the Electricity Infrastructure.
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	- The following areas within Nketoana Municipality are supplied by Eskom and Nketoana Municipality only repair and maintain Street lights in those areas. Namely: Petsana Township, Mamafubedu Township, Arlington Town and Leratswana Township. - All Rural areas within Nketoana jurisdiction are also supplied by Eskom.
<i>Areas without access to electricity or other forms of energy</i>	- Petsana Ext.6 with 800 sites in Eskom distribution area. These sites need to be occupied for Eskom to electrify them. - Petsana Informal Settlements with 2224 sites in Eskom distribution area, These Settlements need to be formalized for Eskom to electrify them.
<i>Areas with access to electricity and the reliability thereof</i>	Reitz town (1092), Mamafubedu town (401), Lindley town (296) and Ntha Township (3889). Electricity supply in is stable in all areas, however with some small interruptions due to aged infrastructure and natural causes.
<i>Other challenges</i>	No other challenges beside the above mentioned.
<i>Other issues:</i>	Attention also need to be paid to installation of Energy efficient street lighting, however the challenge is lack funding.

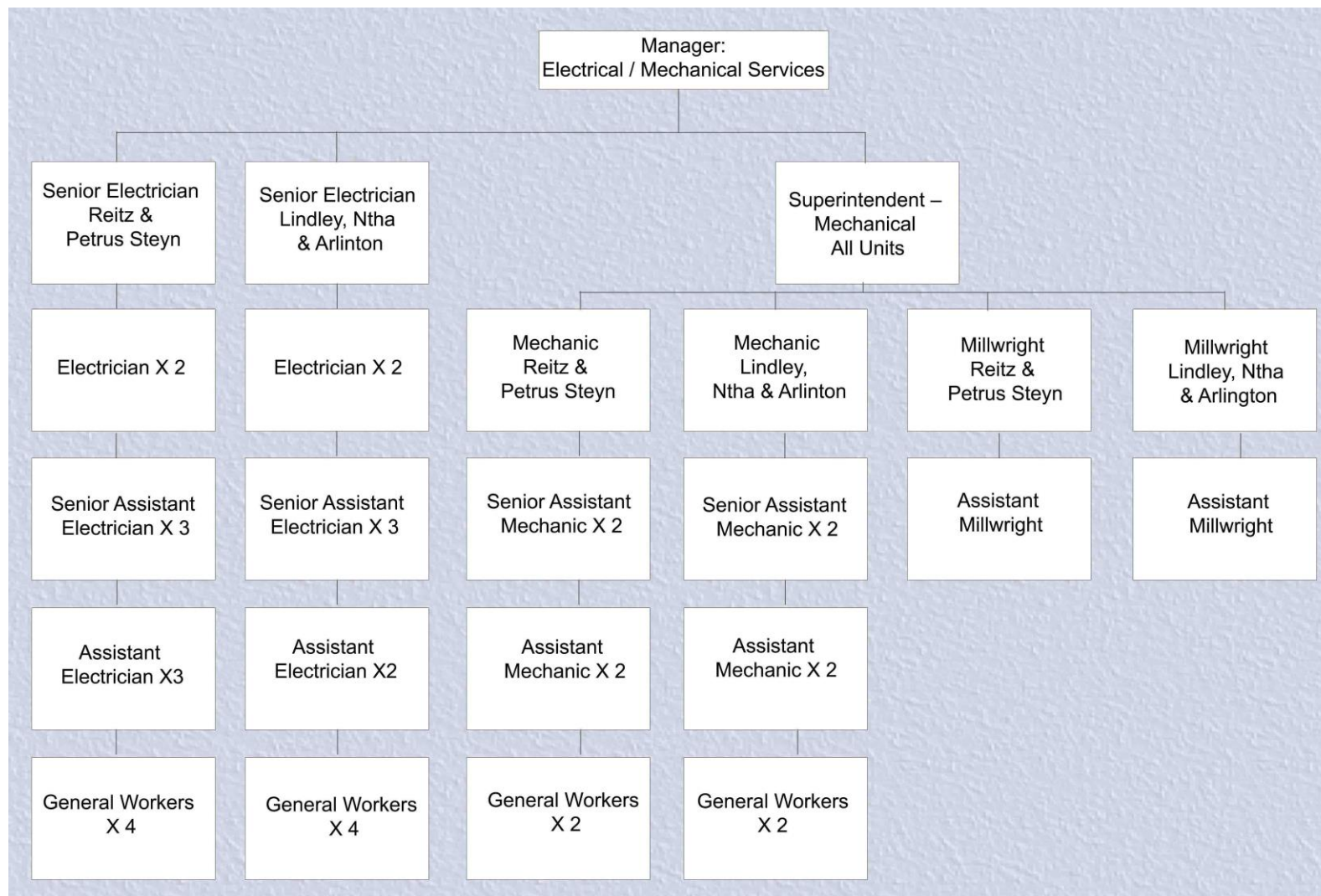
Figure / Table 3.31: Status Quo Analysis: Electricity

Energy source for lighting					Energy source for lighting (Values expressed as %)				
Ward	None	Electricity - Solar	Gas - Paraffin	Candles (not a valid option)	Ward	None	Electricity - Solar	Gas - Paraffin	Candles (not a valid option)
Ward 1	0	1,790	3	136	Ward 1	0.00%	92.79%	0.16%	7.05%
Ward 2	3	1,716	9	142	Ward 2	0.16%	91.76%	0.48%	7.59%
Ward 3	5	2,040	9	120	Ward 3	0.23%	93.84%	0.41%	5.52%
Ward 4	2	1,499	10	252	Ward 4	0.11%	85.03%	0.57%	14.29%
Ward 5	5	1,341	17	391	Ward 5	0.29%	76.45%	0.97%	22.29%
Ward 6	2	1,402	21	444	Ward 6	0.11%	75.01%	1.12%	23.76%
Ward 7	6	1,810	7	291	Ward 7	0.28%	85.62%	0.33%	13.77%
Ward 8	1	1,461	4	56	Ward 8	0.07%	95.99%	0.26%	3.68%
Ward 9	6	1,653	38	629	Ward 9	0.26%	71.07%	1.63%	27.04%

Energy source for cooking						Energy source for heating						
Ward	None	Electricity	Gas, paraffin and Solar	Wood, Coal and Animal dung	Other - Not applicable	Ward	None	Electricity - Solar	Gas - Paraffin	Wood - Coal	Candles (not a valid option) - Animal dung	Other - Not applicable
Ward 1	1	1,628	92	207	-	Ward 1	70	1,268	67	520	3	-
Ward 2	4	1,515	66	284	-	Ward 2	235	880	58	683	12	1
Ward 3	5	1,929	65	172	2	Ward 3	160	1,602	75	301	36	-
Ward 4	3	1,368	108	283	1	Ward 4	223	908	128	436	66	1
Ward 5	4	1,215	177	357	-	Ward 5	96	871	82	675	29	-
Ward 6	-	1,044	139	686	-	Ward 6	103	840	116	788	21	-
Ward 7	3	1,490	138	483	1	Ward 7	68	1,267	144	623	12	-
Ward 8	4	1,271	74	172	-	Ward 8	99	833	69	517	5	-
Ward 9	4	1,370	235	717	-	Ward 9	87	946	148	1,143	1	-

(Source: Statistics South Africa, Census, 2011)

Figure / Table 3.32: Organogram



IDP Priority 8:	Electricity Reticulation
Strategic Objective:	To ensure that 100% of households in the Nketoana municipal area have access to electricity by 2014
Outcomes:	100% of households in formal areas with access to electricity (2013/14: 1,001 to be connected in Lindley) 11 high mast lights constructed - Alternative energy solutions (long-term strategy): 2013/14 Feasibility study to explore alternative sources of energy
Vote:	Electricity
Sub-function:	Electricity Distribution

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Electricity
Vote/Function:	Connection and Reticulation, Development and Planning

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure that 100% of households in the Nketoana municipal area have access to electricity by 2014	Connection of 145 sites in Ntha in the new extension according to the requirements of the	Number of site connections to the electricity grid completed according to quality	New							145	64	145	ACHIEVED Only 64 Of 145 were done due to un- occupied sites	-	-	Number of site connections to the electricity grid completed	81

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		contract documentation and project specifications	and quantity specifications														according to quality and quantity specifications	
		<i>Development of 1 Energy Master plan to include alternative energy solutions for the long-term for Nketoana</i>	1 Energy Master Plan developed and approved	New							1	1 Draft available	1	ACHIEVED The Energy masterplan is completed. Final Council approval is awaited	1	0	1 Energy Master Plan developed and approved.	1
	To ensure that 100% of households in the Nketoana municipal area have access to electricity by 2014	Installation of protection on Switch gear by installing 2 relays	Number of relays installed to protect Switch gear	New							2	2	2 relays	ACHIEVED The project was completed, 2 relays were installed. Completion certificate is submitted as evidence	-	-	-	-
		Replacement of 5 Oil Circuit Breakers with Vacuum Creakers	Number of Oil Circuit Breakers replaced with Vacuum Creakers	New							5	0	5	NOT ACHIEVED It could not be implemented due to financial constraints. The project should be funded out of own funds	-	-	-	-

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		Replacement of 2 Auto-enclosures	Number of auto-enclosures replaced	New							2	0	2	NOT ACHIEVED It could not be implemented due to financial constraints. The project should be funded out of own funds	-	-	-	-
	Ntha Extension 5 Refurbishment of Lindley and Ntha MV Supply Lines by installing 2 auto-enclosures	Number of auto-enclosures installed on the Lindley and Ntha MV supply lines respectively	New								2	2	2	OVER ACHIEVEMENT Already completed in November 2015	-	-	-	-
		Replacement of 4 Oil Circuit Breakers with vacuum breakers and replaced 150m of 70mm ² XPLPE cable	Number of Oil Circuit Breakers replaced with vacuum breakers	New							4	4	4	OVER ACHIEVEMENT Already completed in November 2015	-	-	-	-
		Replacement of 2 auto-enclosures on 11Kv	Number of auto-enclosures on 11Kv	New							2	2	2	ACHIEVED Completed in February	-	-	-	-

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		11Kv supply lines to Reitz main substation	supply lines replaced															
		Replace 1 11Kv supply line to Grain field Chickens	Number of auto-enclosures on 11Kv supply line to Grain field Chickens replaced	New							1	1	1	ACHIEVED Completed in February	-	-	-	-
		Repairs & Maintenance of electricity infrastructure according to the weekly plan	Frequency of repairs and maintenance	New	Daily according to weekly plan	Daily according to weekly plan	Daily according to weekly plan	Daily according to weekly plan	Daily according to weekly plan	Daily according to weekly plan	Daily according to weekly plan	Daily according to weekly plan	Daily according to weekly plan	ACHIEVED Reports monthly /weekly Job cards Log sheets submitted as evidence	Daily according to weekly plan	Daily according to weekly plan	Repairs & Maintenance of electricity infrastructure according to the weekly plan	Daily according to weekly plan



3.4 Waste Management

Figure / Table 3.33: Waste Removal: Nketoana, Thabo Mafutsanyana and RSA

Category	Nketoana	Refuse removal as a %: Nketoana	Thabo Mafutsanyana	Refuse removal as a %: Thabo Mafutsanyana	RSA	Refuse removal as a %: RSA
Removed by local authority/private company at least once a week	12506	72%	107125	49%	8972934	62%
Removed by local authority/private company less often	262	1%	2042	1%	218302	2%
Communal refuse dump	545	3%	8245	4%	271787	2%
Own refuse dump	3225	19%	86680	40%	4075939	28%
No rubbish disposal	682	4%	12254	5%	781999	5%
Other	97	1%	1539	1%	129201	1%

(Source: Census 2011)

Figure / Table 3.34: Waste Removal: 2001-2011

Census 2001 **Community Survey 2007** **Census 2011**

	Total house-holds	% of house-holds		Total house-holds	% of house-holds		Total house-holds	% of house-holds
Removed by local authority at least once a week	9591	64%		10533	63%		12506	72%
Removed by local authority less often	243	2%		316	2%		262	1%
Communal refuse dump	371	2%		100	1%		545	3%
Own refuse dump	3276	22%		4020	24%		3225	19%
No rubbish disposal	1557	10%		1729	10%		682	4%
Not applicable	3	0%		51	0%		97	1%
Total	15039			16748			17317	

(Source: StatsSA)

Figure / Table 3.35: Waste Removal according to category and per ward

	Removed by local authority/private company at least once a week	Removed by local authority/private company less often	Communal refuse dump	Own refuse dump	No rubbish disposal	Other
FS193: Nketoana	12506	262	545	3225	682	97
Ward 1	1481	1	82	321	34	8
Ward 2	1730	8	20	84	20	7
Ward 3	1929	8	-	149	84	4
Ward 4	1252	3	42	384	51	31
Ward 5	1204	17	10	448	46	27
Ward 6	805	14	74	794	177	5
Ward 7	1367	31	21	546	136	12
Ward 8	1339	94	1	32	56	-
Ward 9	1399	85	295	467	78	3

(Source: StatsSA)

Figure / Table 3.36: Waste Removal

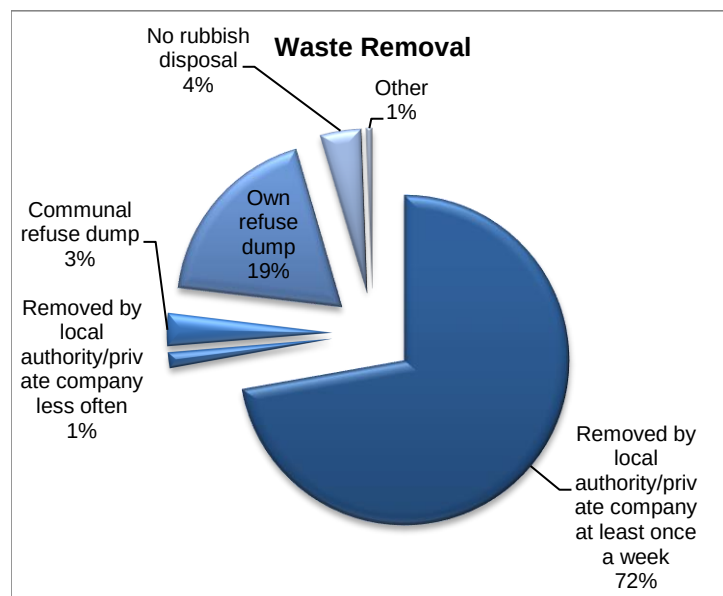


Figure / Table 3.37: Status Quo Analysis: Refuse Removal

Status Quo: ¹	Ward	RDP and above	Below RDP	No rubbish disposal	Other - Not applicable	Ward	RDP and above	Below RDP	No rubbish disposal	Other - Not applicable
	Ward 1	1,482	403	34	8	Ward 1	76.91%	20.91%	1.76%	0.42%
	Ward 2	1,738	104	20	7	Ward 2	92.99%	5.56%	1.07%	0.37%
	Ward 3	1,938	149	84	4	Ward 3	89.10%	6.85%	3.86%	0.18%
	Ward 4	1,255	426	51	31	Ward 4	71.19%	24.16%	2.89%	1.76%
	Ward 5	1,221	459	46	27	Ward 5	69.65%	26.18%	2.62%	1.54%
	Ward 6	819	868	177	5	Ward 6	43.82%	46.44%	9.47%	0.27%
	Ward 7	1,398	567	136	12	Ward 7	66.16%	26.83%	6.44%	0.57%
	Ward 8	1,433	33	56	0	Ward 8	94.15%	2.17%	3.68%	0.00%
	Ward 9	1,484	762	78	3	Ward 9	63.77%	32.75%	3.35%	0.13%
General:	Refuse removal services is classified as satisfactory in some areas, but not in all									
Residential sites:	All residential as well as businesses have access to refuse removal services. Residential areas have a service once a week. All the urban areas are serviced, with refuse removal on a weekly basis. Effective co-ordination of this service enhance the functioning of the thereof.									
Business sites:	Businesses are serviced twice per week if necessary.									
Resource consideration:	- The equipment used for removal (mostly a tractor and trailer) are old and in poor condition. The procurement of compactor trucks enhanced the service and it is more effectively rendered now. In the budget provision is made for the procurement of a waste compactor. It will prolong the life of landfill sites. - Resources are generally adequate to support current waste disposal requirements.									
Indicate all areas or settlements without access in terms of the basic service standards and provide reasons for lack of service	All areas within the municipal jurisdiction have access to the waste collection system except for areas in the informal settlement as well as farm dwellers and rural areas									
Recycling:	The number of recyclers that have access to the waste disposal site have been registered with the municipality.									
Indicate other challenges that are not highlighted above	Illegal dumping takes place and it is a challenge to stop it. Most towns experience problems with the management of their waste disposal sites, and do not adhere to the requirements of the Department of Water Affairs.									
Waste Disposal:	Three of the Waste disposal sites are licensed and there is a new waste disposal facility that is registered with MIG for implementation this financial year.									

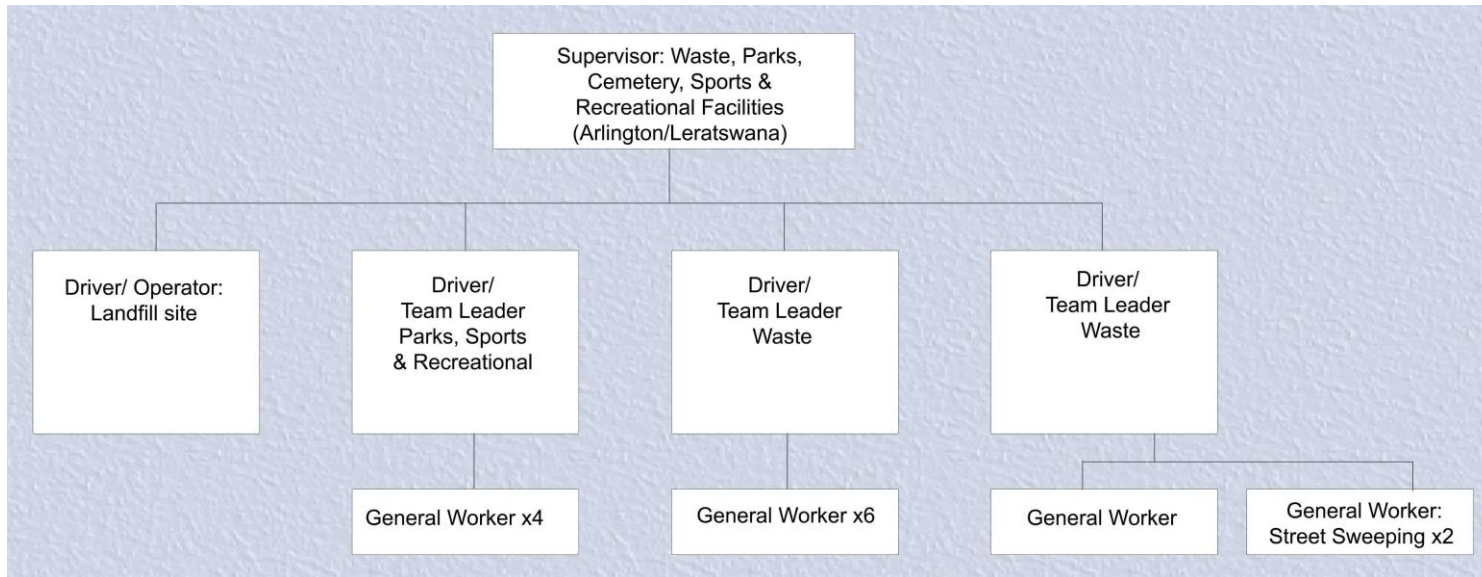
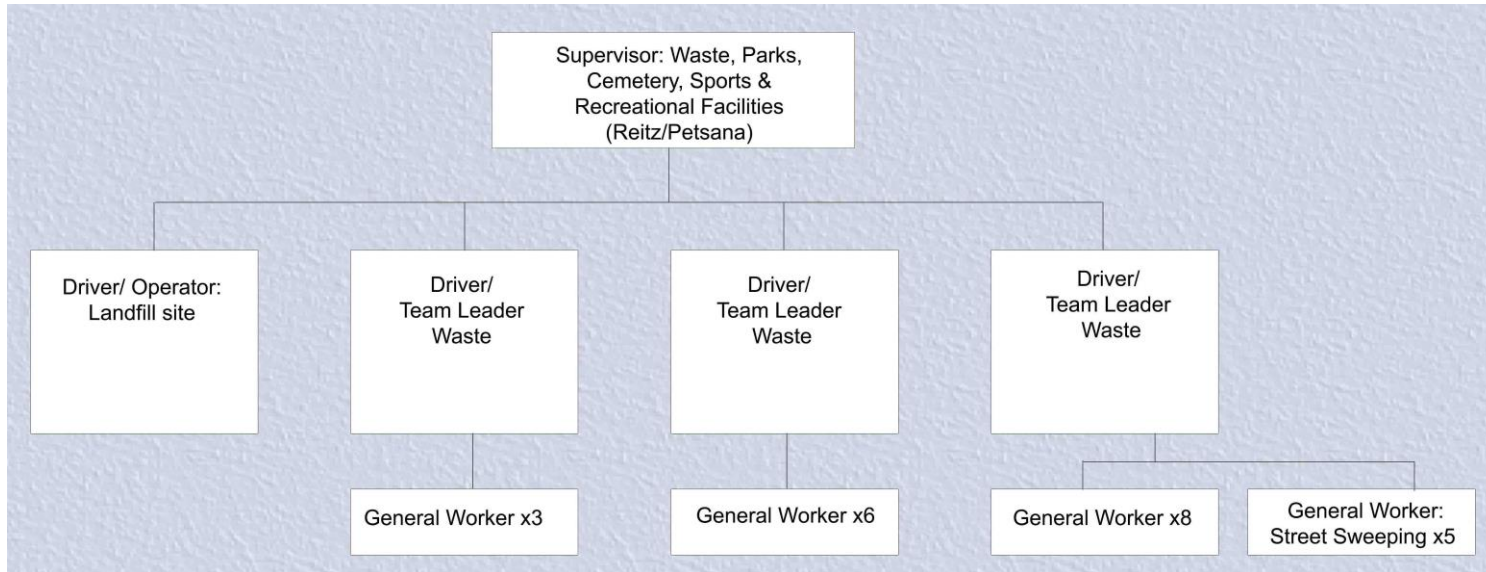
¹ Source of statistics: (StatsSA, 2011): Wards 1 and 2=Mamafubedu (Petrus Steyn); Ward 3 and 4 = Lindley/Ntha; Ward 5=Arlington/Leratswana and Ward 6-9 = Reitz and Petsana

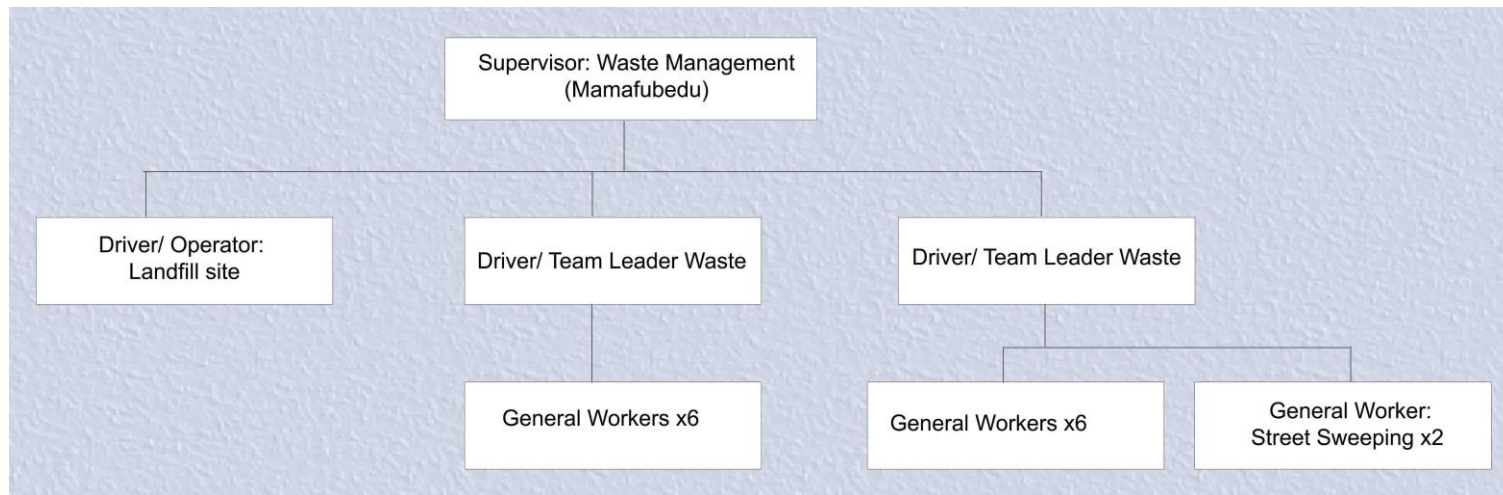
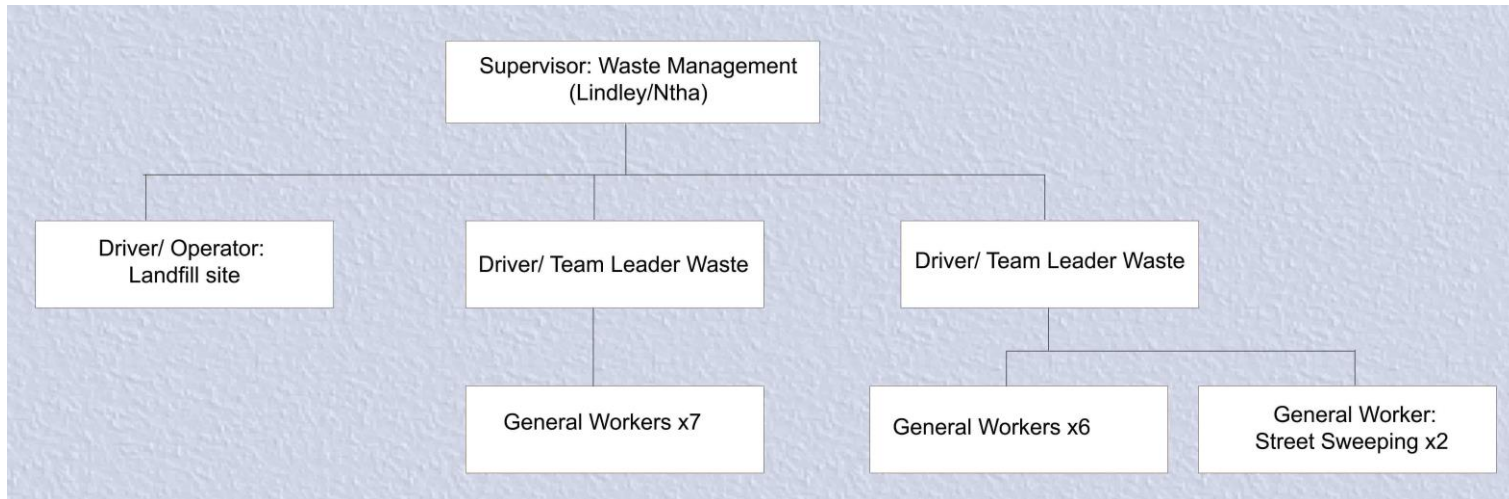
Figure / Table 3.38: Summary of Refuse Handling Capacity

Area	Number of landfill sites	Legal Status	Frequency of refuse removals	Equipment
Reitz/Petsana	1	Legal	Once per week	1 Compactor Truck 2 Tractors with Trailers
Mamafubedu (Petrus Steyn)	1	Not legal	Once per week	2 Tractors with Trailers
Lindley/ Ntha	1	Legal	Once per week	2 Tractors with trailers
Arlington/Leratswana	0 Waste is transferred to Lindley. A transfer station is under development		Once per week	1 Tractor with trailer

Figure / Table 3.39: Organogram







IDP Priority 7:	Refuse Removal
Strategic Objective:	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good waste management in the municipal area
Outcomes:	- Licensed and registered landfill sites - Improving internal capacity for efficiency waste removal - Mamafubedu dumping site closed and rehabilitated
Vote:	Waste Management
Sub-function:	Solid Waste

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Refuse Removal
Vote/Function:	Waste Management
Directorate:	Community Services

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure that all households in urban areas have access to waste	Purchasing of a waste compact or truck	Number of waste compact or trucks purchased	New			1	0					1	NOT ACHIEVED Due to financial constraints it could not be procured. However, the	1	0	To ensure that all households in urban	Purchasing of a waste compact

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	removal according to waste removal standards and good waste management in the municipal area													aging equipment is posing a disruption of Services and this matter is included in the 2016/2017 budget as an urgent priority.			areas have access to waste removal according to waste removal standards and good waste management in the municipal area	or truck
	Rehabilitation of Mamafube du disposal site	Rehabilitation of Mamafube du disposal site according to the requirements of the contract documentation and	Number of dumping sites closed and rehabilitated	New					1				1	ACHIEVED The rehabilitation of the site was successfully completed. Awaiting document of approval and License that register the site as a closed Dumping site.	1	0		0

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		project specifications																
	Clearing of illegal dumps	Clearing of illegal dumps on corners or open areas in residential areas.	Number of cleaning campaigns to clear illegal dumping.				1				1	5	2	ACHIEVED Several dumps were cleared as part of a special campaign. Photos of the work in progress as well as a report on job opportunities created are submitted as evidence	-	-	Clearing of illegal dumps on corners or open areas in residential areas.	4
	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good waste management in the municipal area Waste Removal	Weekly refuse removal to households in formal settlements Standard : Weekly at all residential sites and bi-weekly at business sites (14,000 sites in all)	Frequency of waste disposal at residential and business sites	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	ACHIEVED. The removal is taking place according to a weekly schedule. Job cards are prepared and signed off by supervisors. All the actions are reported on in the monthly report that serves in the Section 79 meetings. Copies of the Schedule, job cards and monthly reports are submitted as evidence	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	Weekly at residential sites and bi-weekly at business sites (14,000 sites)	To ensure that all households in urban areas have access to waste removal according to waste removal standards	Weekly at residential sites and bi-weekly at business sites (14,000 sites)

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
																	ards and good waste management in the municipal area Waste Removal	
	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good waste management in the municipal area	90 liters refuse bins distributed to households in urban areas	Number of refuse bins distributed in Urban Areas	14,000	2,000 (16,000 in total)	0							2,000 (16,000 in total)	NOT ACHIEVED. The financial position of the municipality did not recovered enough to enable the procurement of dustbins.	2000	0	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good	2000 dust bins

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
																	waste management in the municipal area	

IDP Priority 7:	Refuse Removal
Strategic Objective:	To ensure that all households in urban areas have access to waste removal according to waste removal standards and good waste management in the municipal area
Outcomes:	100% of households in formal areas with access to refuse removal services at basic acceptable national standards
Vote:	Waste Management
Sub-function:	Solid Waste

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Cemeteries and Parks
Vote/Function:	Community and Social Services

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure effective management of graveyards and cemeteries in the Nketoana municipal area	Routine operation and maintenance of parks and cemeteries Standard : Daily maintenance of parks according to operational schedules. Not all parks are serviced daily, but the maintenance is done according to the maintenance schedule	Frequency of maintenance at parks, according to operational schedule	Daily	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	ACHIEVED Daily, according to schedule. Monthly reports are presented as evidence	Daily, according to schedule	Daily, according to schedule	To ensure effective management of graveyards and cemeteries in the Nketoana municipal area	Daily, according to schedule
		Purchasing of 1 TLBs	Number of TLBs purchased	New							1	0	1	NOT ACHIEVED Due to financial constraints it could not be procured. However, the aging equipment is	1	0	Purchasing of 1 TLBs	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														posing a disruption of Services and this matter is included in the 2016/2017 budget as an urgent priority. There is also negotiations in process to arrange special instalments for the purchase.				
	To ensure effective management of graveyards and cemeteries in the Nketoana municipal area	Upgrading of parks: - Planting of trees - Grassing - Installation of benches, boulders and seating - Play ground	Number of parks upgraded	0							1	1	1 Ntha	ACHIEVED The project is successfully implemented and almost done.	1 Petsana 1 Ntha 1 Leratswana	0	To ensure effective management of graveyards and cemeteries in the Nketoana municipal area	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		nd equipment • Outdoor gym equipment Phase 1: Ntha																
	Computerization of grave records	Procure software, install and implement	Number of programs procured	New							1	0	1	NOT ACHIEVED Due to financial constraints no procurement took place. The matter is included in the coming financial year.	1	0	Computerization of grave records	1



3.5 Housing

2.1 Analysis of Access to Basic Services: 2001-2011

Figure / Table 3.40: Analysis of Access to Dwellings: 2001, 2007, 2011

	Census 2001	CS 2007	Census 2011
House or brick structure on a separate stand or yard	55.3%	56.4%	71.3%
Traditional dwelling /hut / structure made of traditional materials	16.1%	5.9%	3.8%
Flat in block of flats	0.3%	0.6%	0.7%
Town / cluster / semi-detached house (simplex: duplex: triplex)	0.4%	0.4%	0.1%
House / flat / room in back yard	1.1%	1.4%	0.9%
Informal dwelling/s shack in backyard	5.2%	6.7%	13.6%
Informal dwelling/s shack NOT in backyard e.g. in an informal / squatter settlement	21.0%	25.2%	8.8%
Room / flatlet not in back yard but on a shared property	0.6%	1.8%	0.1%
Caravan or tent	0.1%	-	0.1%
Workers' hostel(bed / room)	-	0.2%	0.0%
Other	-	1.4%	0.6%
Total	100.0%	100.0%	100.0%

(Source: StatsSA, 2001, 2007, 2011)



Figure / Table 3.41: Service Delivery trends (Basic Services)

	Census 2001		Community Survey 2007		Census 2011	
	Total dwellings	Type of dwelling as %	Total dwellings	Type of dwelling as %	Total dwelling	Type of dwelling as %
House or brick structure on a separate stand or yard	8240	55%	9448	56%	12355	71%
Traditional dwelling/hut/structure made of traditional materials	2400	16%	983	6%	655	4%
Flat in block of flats	43	0%	100	1%	112	1%
Town/cluster/semi-detached house (simplex: duplex: triplex)	53	0%	61	0%	11	0%
Semi-detached house					50	0%
Townhouse (semi-detached house in a complex)					18	0%
House/flat/room in back yard	167	1%	236	1%	163	1
Informal dwelling/shack in back yard	771	5%	1127	7%	2351	14
Informal dwelling/shack NOT in back yard e.g. in an informal/squatter settlement	3123	21%	4214	25%	1528	9
Room/flatlet not in back yard but on a shared property	82	1%	303	25%	25	0%
Caravan or tent	22	0%	0	0%	12	0%
Private ship/boat	3	0%	0	0%		
Workers' hostel (bed/room)			38	0%		
Tourist hotel/motel	0	0%				
Hospital/medical facility/clinic/frail care centre	4	0%				
Childcare institution/orphanage	0	0%				
Home for the disabled	0	0%				
Boarding school hostel	3	0%				
Initiation school	0	0%				
Convert/monastery/religious retreat	0	0%				
Defence force barracks/camp/ship in harbour	3	0%				
Prison/correctional institution/police cells	4	0%				
Community or church hall	0	0%				
Refugee camp/shelter for the homeless	0	0%				
Homeless	3	0%				
Other	0	0%	239	2%	37	0%
Not applicable	120	1%				
Total	15039		16748		17317	

(Source: StatsSA)

Figure / Table 3.42: Dwelling according to Wards in Nketoana

	House or brick/concrete block structure on a separate stand or yard or on a farm	Traditional dwelling/hut/structure made of traditional materials	Flat or apartment in a block of flats	Cluster house in complex	Townhouse (semi-detached house in a complex)	Semi-detached house	House/flat/room in backyard	Informal dwelling (shack; in backyard)	Informal dwelling (shack; not in backyard; e.g. in an informal/settlement or on a farm)	Room/flatlet on a property or larger dwelling/servants quarters/granny flat	Caravan/tent	Other
FS193: Nketoana	12355	655	112	11	18	50	163	2351	1528	25	12	37
Ward 1	1661	19	9	-	1	1	13	172	41	-	7	2
Ward 2	1070	11	24	4	2	13	6	359	377	-	-	3
Ward 3	1478	48	12	-	4	16	8	434	164	-	1	7
Ward 4	1212	118	9	6	1	4	2	343	55	6	-	7
Ward 5	1327	104	6	-	1	4	11	182	113	2	-	4
Ward 6	1363	163	23	1	1	3	23	187	89	7	2	8
Ward 7	1713	178	11	-	6	7	55	73	56	11	1	4
Ward 8	1264	7	7	-	-	-	18	189	35	-	-	1
Ward 9	1267	7	12	-	1	3	27	411	597	-	1	-

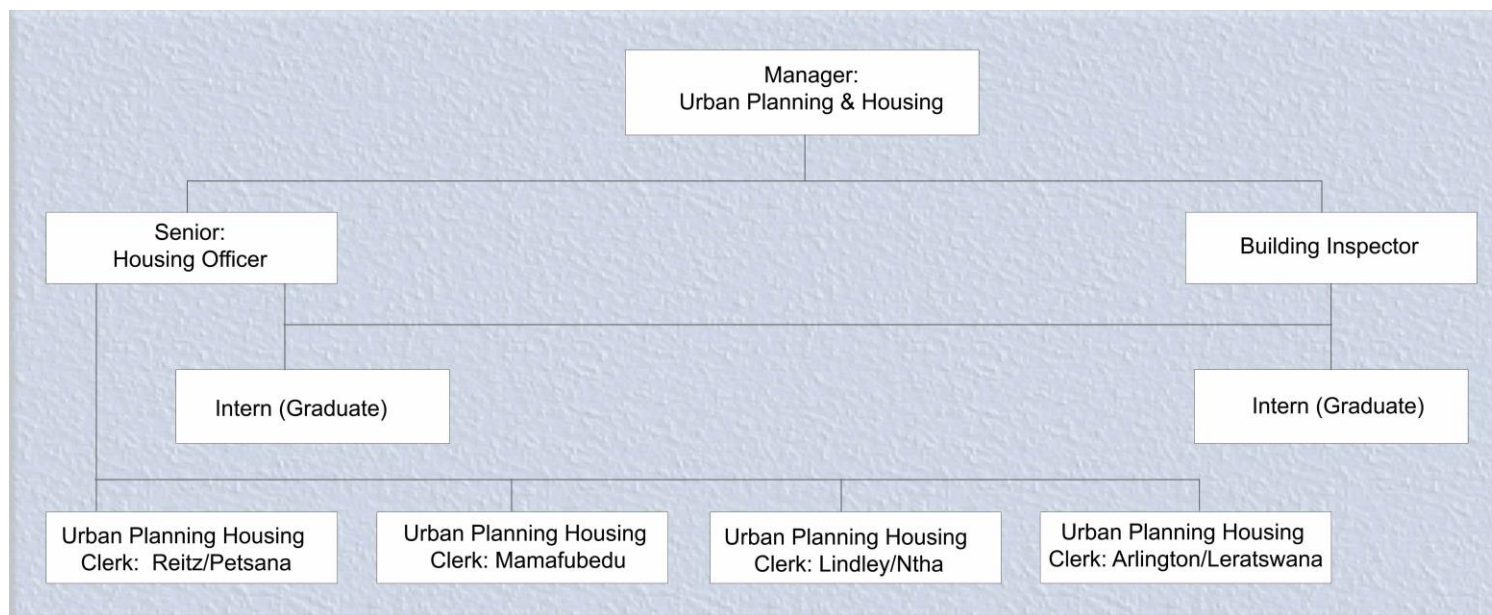
(Source: StatsSA)

Figure / Table 3.43: Housing – Census 2011

Category	Unit of measurement	Y2001	Y2011
Persons	Number of Persons	61950	60324
Households	Number of households	15039	17318
Average household size	Number of persons/house	4.11	3.48
Female headed households	Percentage / households	40% (5975 of 15039)	41% (7056 of 17318 households)
Formal dwellings	Percentage / households	73% (10953 of 15039)	77% (13390 of 17318)
Informal dwellings	Percentage/ households	27% (4086 of 15039)	23% (3928 of 17318)

(Source: StatsSA)

Figure / Table 3.44: Organogram



IDP Priority 4:	Urban Planning
Strategic Objective:	To ensure an effective Urban Planning that will promote proper spatial planning to address sustainable development and social cohesion
Outcomes:	• Review the SDF to ensure credibility that will be approved by Council by the closing of the 2014/15 financial year • Compilation of a housing sector plan that will be approved by Council by the closing of the 2014/15 financial year • New township establishment[s] according to the SDF • Consolidation of erven • Housing demand database
Vote:	Planning and Development
Sub-function:	Not Required

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Urban Planning
Vote/Function:	Planning and Development
Directorate:	Community Services

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Targ et	Actu al	Object ive	Tar get
	To ensure effective Urban Planning that will promote proper spatial	Review of the SDF to ensure compliance with SPLUMA	Number of compliant SDF's developed and approved	1 SDF Non-compliant							1	0	1 compliant SDF	NOT ACHIEVED. The review of the SDF that should have been done by the Department of Rural	1	0	To ensure effective Urban Planning that will	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Targ et	Actu al	Object ive	Tar get
	planning to address sustainable development and social cohesion													Development did not realized. Their funding for the project was recalled by National Treasury. However, Provincial COGTA already indicated that they will be able to assist because they have capacity to do it in house. It is envisaged that the SDF will be finalized by December 2016			promote proper spatial planning to address sustainable development and social cohesion	
		Compilation of a housing sector plan that complies with the Housing Code	Number of housing sector plans approved .Mashalaba has been appointed to develop the municipal Housing sector plan.								1	1	1	ACHIEVED First Draft is available & awaiting the second draft that will be taken for public participation then finally be tabled to council for approval	1	0	Review of the housing sector plan that complies with the Housing Code	1 approved plan
		New Township	Number of township	New	1 report	1	1 report	1		0	1 Report	0	1	NOT ACHIEVED.	4	0	New Township	1 Township

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		establishment at Port Arlington (Division of farm Port Arlington and the establishment of a new township on the division) Performance Level Agreement: Township approval Survey – General approval Environmental Impact Assessment Opening of Township Register	establishments established. Progress reports per quarter towards township establishment		Basic Assessment report to COGTA		Approval from COGTA		1 report Pegging of Sites		Registration Township Register		4 reports	The comments from all department are still awaited. No pegging of sites can be done before all comments are not received.			establishment at Port Arlington (Division of farm Port Arlington and the establishment of a new township on the division) Performance Level Agreement: Township approval Survey – General approval Environmental	ip register opened

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Targ et	Actu al	Object ive	Tar get
																	Impact Assessment Opening of Township Register	
		Subdivision of erf 799 In Ntha Lindley to accommodate church and crèches sites	Number of church sites and number of crèche sites	New							3 Church sites	0	3 Church sites	NOT ACHIEVED Due Financial constraints no service provider was appointed. As this was identified as an urgent need, the matter will be included in the next financial year	3	0	Subdivision of erf 799 In Ntha Lindley to accommodate church and crèche sites	3 Churches
			Number of church sites and number of crèche sites	New							3 Crèches sites	0	3 Crèches sites	NOT ACHIEVED Due Financial constraints no service provider was appointed. As this was identified as an urgent need, the matter will be included in the next financial year	3	00	Subdivision of erf 799 In Ntha Lindley to accommodate church and crèche sites	3 crèches
		Subdivision of Townland for	Number of portions of land	New							1	0	1	ACHIEVED Due to Financial constraints it	1	0	Subdivision of Townl	1 subdivi

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		medicinal herbs plantation in Reitz	subdivided											could not be done by the municipality. However the applicant agreed to carry the cost of the Subdivision The matter will be included in the next financial year			and for medicinal herbs plantation in Reitz	sion
		Consolidation of 14 erven in Mamafubedu	Number of erven consolidated (new numbers will be allocated)	Currently 28 erven; there should only be 14					28, consolidated into 14	0			28, consolidated into 14	NOT ACHIEVED Due to financial constraints the service provider LMV was not paid yet and refuse to complete the work until the outstanding amount is paid. The matter will be carried over to the next financial year.	28 consolidated into 14	0	Consolidation of 14 erven in Mamafubedu	28, consolidated into 14
		Housing demand database in all four towns	Number of housing demand databases (Database= Lists of beneficiaries who are applying for	New			1 per unit = 4	4					1 per unit = 4	ACHIEVED Housing database compiled per unit. Document electronic available. Copy of the database submitted as evidence	4	4	Review of Housing demand database in all four towns	1 per unit = 4

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
			housing subsidies) Housing demand database has been developed and both soft & hard copies are available															
		Audit of site allocation allocated to beneficiaries that were on the database of the new township establishments Standard: The audit dealt with the question whether sites were correctly allocated to registered	Number of audits reports per new township establishment	New							1 report per new township establishment (= 3)	0	1 per new township establishment (= 3)	NOT ACHIEVED The Internal Audit Section must assist with this audit. Due to understaffing of the unit, it was not done yet. The action will be included in the 2016/2017 Annual Audit Plan and then executed.	1 report per new township establishment (= 3)	0	Audit of site allocation allocated to beneficiaries that were on the database of the new township establishments Standard: The audit dealt with the question	1 report per township

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		beneficiaries															whether sites were correctly allocated to registered beneficiaries	

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Urban Planning
Vote/Function:	Planning and Development

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure effective implementation of the Spatial Planning	Establishment and operation alization of a Municipal	Number of Municipal Tribunals established	New	1	1							1	ACHIEVED	-	-	-	0

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	and Land Use Management Act (SPLUMA)	Tribunal consisting of 8 members																
			Number of delegations approved	New	1								1	ACHIEVED	-	-	-	0
			Number of members and officials trained	New	8	8							8	ACHIEVED	-	-	Number of members and officials trained	8
		Finalization of the tribunal governance framework	Number of by-laws approved	New	1	1							1	ACHIEVED	-	-	-	0
			Number of tariff structures, with budget approved	New	1	1							1	ACHIEVED	-	-	Number of tariff structures, with budget approved	1
			Number of budgets for the tribunal finalized	New	1	1							1	ACHIEVED For the 2015/2017 financial year the Tribunal was funded out	-	-	Number of budgets for the	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														of professional fees in Community Services. For the 2016/2017 there is a separate budget allocated for the Tribunal			tribunal finalized	

Component B: Roads and Transport

3.6 Roads, Transport and Stormwater

Figure / Table 3.45: Status Quo Analysis: Roads & Storm water

<i>Status Quo:</i>	Refer to Tables below
<i>General, Roads:</i>	- The condition of roads and storm water in Nketoana needs urgent attention. Although quite a significant part of roads in the towns are tar roads, the condition is deteriorating. - Paved roads were constructed in Petsana, Mamafubedu, Ntha and Leratswana. It was an immense improvement and made all areas more accessible.
<i>Storm water:</i>	- Storm water management is still a challenge to the municipality. The gradient of the areas are is of such a nature that considerable damage can be caused by rain water. The paving of roads prevent damage. It is nevertheless still necessary to improve existing stormwater channels and construct more in each area; especially those areas traditional developed urban areas. - The following stormwater challenges were noted in the Roads and Storm water Masterplan (Nektoana Local Municipality, Roads and Stormwater Masterplan, 2011): - Construction of sewer manholes in stormwater channels and hence increasing the incidence of Stormwater Ingress into the sewer systems which studies have indicated that has adverse effects on the capacity of the wastewater treatment works. Standards have to be developed such that the service providers work in accordance with the best practice procedures. - Inadequate sizing of the critical hydraulic structures in the various streams in all the towns which lead to serious flooding - The stormwater channels are seemingly constructed with grades that are lower than the stipulated minimum grades and hence the high incidence of the development of water puddles in the open stormwater drains. In addition, this problem also manifests itself as severe sedimentation/silting with the problematic areas leading to large quantities of sand being deposited in the affected areas - Major stormwater challenges are experienced in Ntha. To alleviate this problem, a new gabion-lined stormwater channel is required. - Inadequate sizing of culverts that threaten to wash away the newly constructed roads.
<i>Status of arterial roads / internal roads</i>	- Access roads are priorities - Streets and storm water network need to be better maintained - Ageing tar roads become not accessible

- There is a need to properly maintain gravel roads; but the huge backlog in this regard remains a problem
- Some roads are used by heavy vehicles – attention must be given to allocate specific roads to heavy vehicles to keep them out of the CBD areas of the main towns.



Figure / Table 3.46: Road Length and Road Category Summary

Road Length Summary					
Settlement	Tarred(m)	Paved(m)	Gravel(m)	Dirt(m)	Total(m)
Petsana	8,947	2,686	40,703	0	52,336
Reitz	39,918	0	1,283	0	38,201
Mamafubedu	1,872	5,756	25,414	2,326	35,369
Petrus Steyn	8,320	0	9,136	1,420	18,876
Ntha	559	6,169	29,015	0	35,744
Lindley	4,682	0	12,266	0	16,948
Leratswana	715	3,408	10,214	0	14,337
Arlington	3,158	0	1,853	124	5,134

Road Category Summary				
Category	Road Type	Length (km)	Percentage	Percentage
UA	Gravel	0.0	0.00%	11.10%
	Paved	0.0	0.00%	
	Tarred	4,254.9	100.00%	
	Dirt	0.0	0.00%	
	Total	4,254.9		
UB	Gravel	0.0	0.00%	10.00%
	Paved	0.0	0.00%	
	Tarred	3,804.5	100.00%	
	Dirt	0.0	0.00%	
	Total	3,804.5		
UC	Gravel	0.0	0.00%	10.70%
	Paved	0.0	0.00%	
	Tarred	4,093.1	100.00%	
	Dirt	0.0	0.00%	
	Total	4,093.1		
UD	Gravel	1,282.9	4.90%	68.20%
	Paved	0.0	0.00%	
	Tarred	24,765.5	95.10%	
	Dirt	0.0	0.00%	
	Total	26,048.5	0.00%	

(Source: Nketoana Local Municipality, Roads and Stormwater Masterplan, 2011)

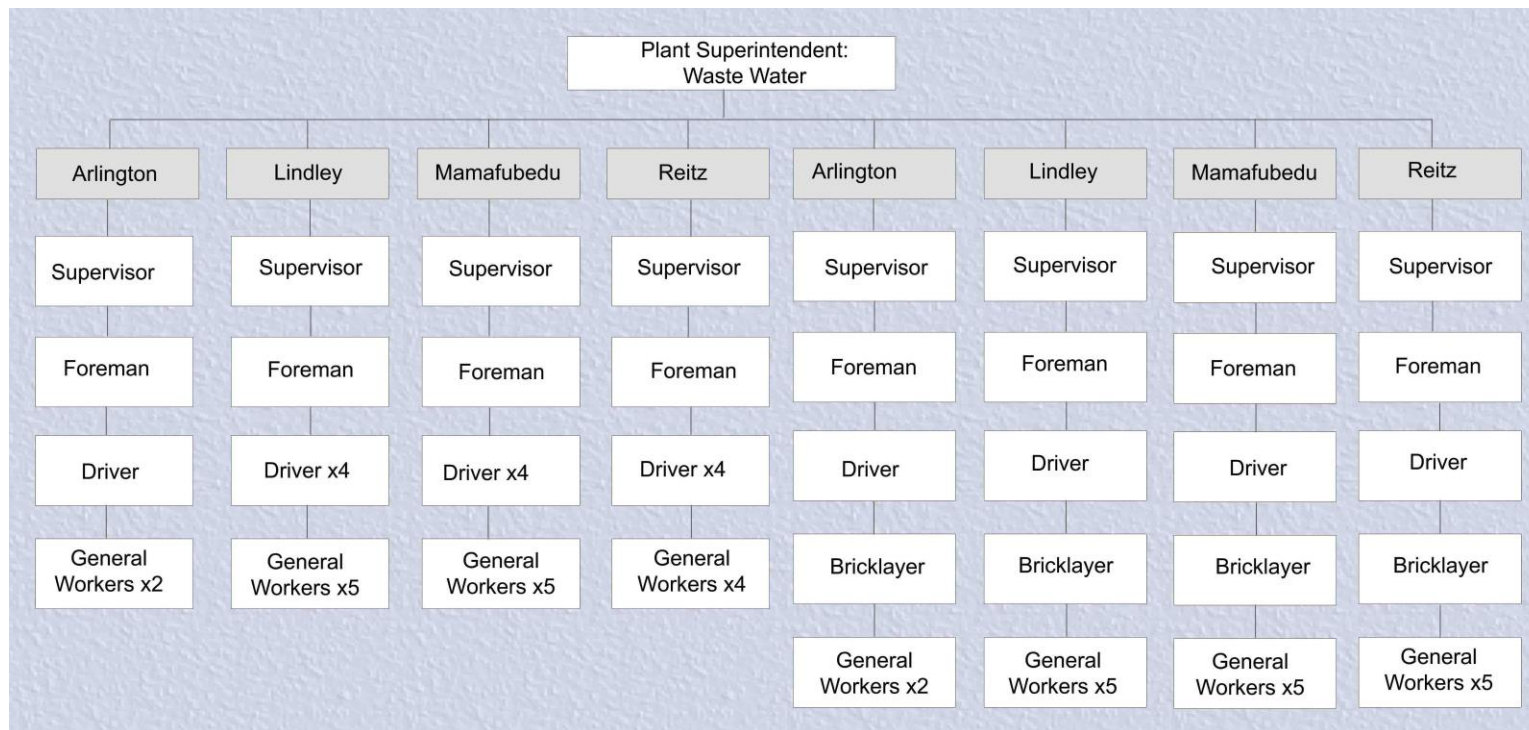
Figure / Table 3.47: Transportation Infrastructure (Nketoana SDF, 2010-2011)

Infrastructure	Reitz / Petsana	Mamafubedu (Petrus Steyn)	Arlington / Leratswana	Lindley / Ntha
Roads	A variety of road networks links Reitz-Petsana with the surrounding area and other urban centers. The provincial road R26 links Reitz with Bethlehem to the	The provincial road R57 between Reitz and Heilbron are also the main access to Mamafubedu (Petrus Steyn). Mamafubedu (Petrus Steyn) is linked to Lindley and Frankfort	The provincial road P40/1 between Lindley and Senekal are also the main access to Arlington. Arlington-Leratswana is developed in a linear form and	The R707 between Arlington and Mamafubedu (Petrus Steyn) is the main road link and separates Lindley and Ntha.

Infrastructure	Reitz / Petsana	Mamafubedu (Petrus Steyn)	Arlington / Leratswana	Lindley / Ntha
	southwest and with Frankfort to the northeast. The provincial road R57 links Reitz with Mamafubedu (Petrus Steyn) to the north and Kestell to the south. Reitz is linked to Vrede with the secondary road S/589 and Warden with S/74.	with the road R707 and to Edenville with the secondary road S/66.	must receive careful future planning.	The P19/1 links Lindley with Steynsrus and Bethlehem and the S/192 links Lindley with Reitz.
Rail	The Reitz-Petsana station services the main railway line linking Gauteng and the Eastern Free State, used predominantly for the transportation of goods, especially agricultural goods. The station is situated next to the industrial area.	The railway station is accessible from both Mamafubedu (Petrus Steyn) and has access to the industrial area. It is situated on the line linking Heilbron and Lindley. The line is mainly used for goods transportation, especially to and from the grain silos. The railway station buildings are worn down and vandalized.	The railway line, that links Bethlehem and Steynsrus, runs through Arlington and was responsible for the establishment of Arlington and still poses economic developmental potential.	The railway line between Arlington and Mamafubedu (Petrus Steyn) runs just south of Lindley. The station is dormant, but should be re-opened and upgraded to promote economic development.
Air	There is no airport, but there is an airstrip north of the Reitz-Petsana urban area. It is principally used by crop-sprayers. The runway is not tarred.	There are no airfields or landing strips.	There are no airfields or landing strips.	There is an informal landing strip.
Public Transport	People from Petsana that works in Reitz walk there, due to the close proximity. Alternatively, there is taxi's servicing Petsana.	Taxis provide the predominant public transportation to especially the people of Mamafubedu.	Taxis provide the predominant public transportation. The taxi rank needs proper development and upgrading.	There is a need for a proper taxi rank.

(Source: Nketoana SDF, 2010,11)

Figure / Table 3.48: Organogram



IDP Priority 3:	Municipal Roads and Transport
Strategic Objective:	To ensure that internal roads in the Nketoana municipal area are maintained and/or upgraded to facilitate economic and social activity required for the sustainable development of the municipality; considering the capacity limitations facing the Municipality
Outcomes:	- Upgrading of 3km of internal roads in Ntha during the 2013/14 financial year - Upgrading of 3km of internal roads in Mamafubedu during the 2013/14 financial year
Vote:	Road Transport
Sub-function:	Roads

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Roads & Storm water Management
Vote/Function:	Roads and Storm water

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure that internal roads in the Nketoana municipal area are maintained and/or upgraded to facilitate economic	Review of the Roads and Infrastructure Master Plan	Number of Plans reviewed	1							1	1 Draft available	1	ACHIEVED The plan was developed and a draft is available. Final approval by Council is awaited.	1	0	Review of the Roads and Infrastructure Master Plan	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	and social activity required for the sustainable development of the municipality; considering the capacity limitations facing the Municipality																	
		Upgrading of Roads in Petsana by paving 3 km. Phase 1 : 1km for the 2014/2015 financial year Phase 2: 2.2 km for the 2015/2016 financial year	Km completed by the end of the financial year	1km			2,2km	3.6km					2,2km	ACHIEVED The project was completed Photos are submitted as evidence	1km	1km	-	-

Component C: Planning and Development

3.7 Planning and Local Economic Development

Agriculture is the main economic activity in the municipality. Others of importance are private households, wholesale, retail and community and social services. If these statistics are analyzed, it is clear that, additional to agriculture, the only meaningful job opportunities in the area are provided by private households (for domestic workers) and by the shops and other businesses in the main towns. The ability of the Nketoana Municipality to create additional employment opportunities is also limited.

The investment of the VKB Chicken project is one of the major developments in the municipality. The abattoir is situated in Reitz and it is planned to create a 1 000 new sustainable jobs for local people. Several farmers are producing broiler chicks on contract for the abattoir. The possibility is now investigated to get a contract for broiler chickens as a community project in Petsana. The municipality has available land for such a project. The promotion of agri-processing plants and other value adding industries should be encouraged in order to diversify the economy of the area. IN Reitz are several small to medium industries, all of which is aimed at satisfying local market needs.

Currently there are no facilities available for the development and training of skills. The promotion of skills development programmes locally are a crucial part of industrial and general employment stimulation. The utilization of existing facilities (e.g. land, buildings, and railways) for industrial promotion purposes is important.

Tourism is the one economic action that has very high potential. In all units of Nketoana there are several guest houses, lodges and guest farms. Each of these facilities has its own attractions and when properly marketed, it can promote tourism in Nketoana.

The population of the area is very poor. The registration of indigent community members is annually a project driven by the CFO and his department. This is an effort to ensure that the poorest of the poor enjoy the benefit of free basic services as promised by the government.

An alarmingly high percentage of the Nketoana population reflects no income, implying extremely high poverty levels. Statistics indicate that at least 68 % of the population is poor.

The municipality has developed a LED Strategy and a draft document is now available. It has to be taken for public consultation and approval by Council. The aim of the document is to aggressively develop SMME and empower entrepreneurs to run sustainable businesses and thus create an income for themselves.

There is always the pitfall to guard against that the community expect the municipality to create jobs, whereas the municipality can only ensure jobs by creating a conducive environment for local economic development.

Figure / Table 3.49: Annual Household Income

Ward	No income	R 1 - R 4800 - R 9601 - R 19 600	R 19 601 - R 38 200 - R 38 201 - R 76 400	R 76 401 - R 153 800 - R 153 801 - R 307 600	R 307 601 - R 614 400 - R 1 228 801 - R 2 457 600	Ward	No income	R 1 - R 4800 - R 9601 - R 19 600	R 19 601 - R 38 200 - R 38 201 - R 76 400	R 76 401 - R 153 800 - R 153 801 - R 307 600	R 307 601 - R 614 400 - R 1 228 801 - R 2 457 600
Ward 1	34	806	824	218	45	Ward 1	1.76%	41.83%	42.76%	11.31%	2.34%
Ward 2	98	821	816	117	17	Ward 2	5.24%	43.93%	43.66%	6.26%	0.91%
Ward 3	304	937	755	155	22	Ward 3	13.99%	43.12%	34.74%	7.13%	1.01%
Ward 4	201	660	601	239	63	Ward 4	11.39%	37.41%	34.07%	13.55%	3.57%
Ward 5	174	735	679	139	26	Ward 5	9.93%	41.93%	38.73%	7.93%	1.48%
Ward 6	73	557	785	323	131	Ward 6	3.91%	29.80%	42.00%	17.28%	7.01%
Ward 7	114	751	728	395	126	Ward 7	5.39%	35.53%	34.44%	18.68%	5.96%
Ward 8	103	656	618	133	12	Ward 8	6.77%	43.10%	40.60%	8.74%	0.79%
Ward 9	148	1,155	909	104	9	Ward 9	6.37%	49.68%	39.10%	4.47%	0.39%

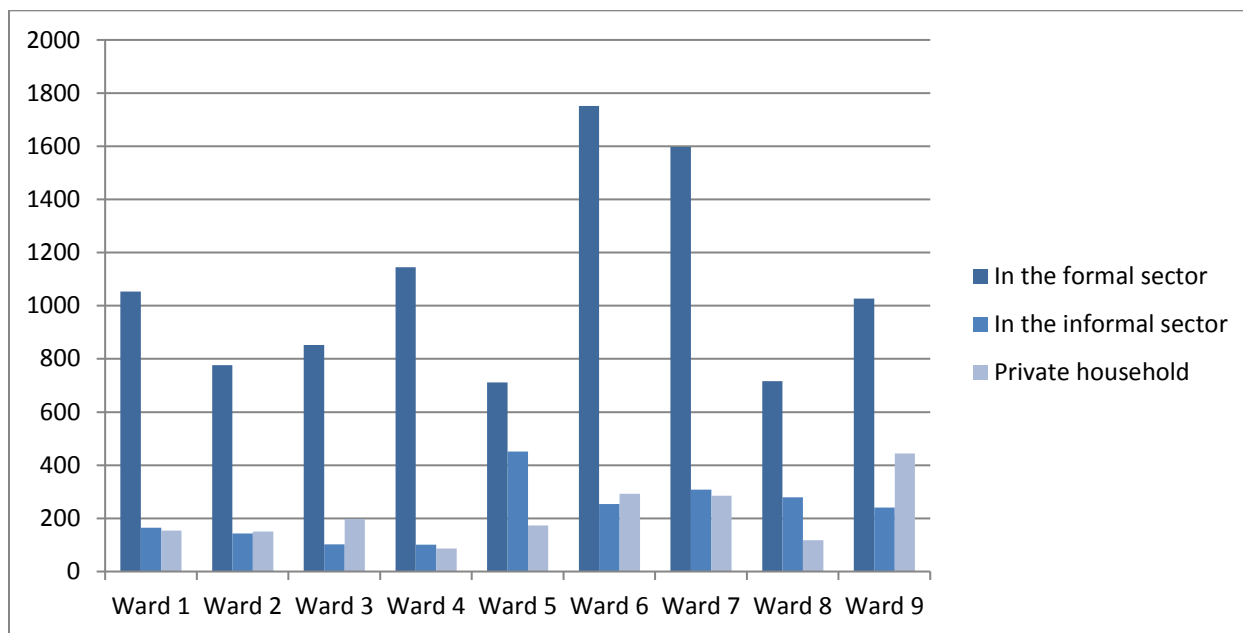
(Source: Stats SA, 2011)

Figure / Table 3.50: Sector Type of Economic Activity

Ward	In the formal sector	In the informal sector	Private household	Do not know	Not applicable	Ward	In the formal sector	In the informal sector	Private household	Do not know	Not applicable
Ward 1	1,053	165	154	46	5,367	Ward 1	15.52%	2.43%	2.27%	0.68%	79.10%
Ward 2	777	143	150	6	6,429	Ward 2	10.35%	1.91%	2.00%	0.08%	85.66%
Ward 3	852	102	197	7	6,767	Ward 3	10.75%	1.29%	2.49%	0.09%	85.39%
Ward 4	1,145	101	87	7	4,527	Ward 4	19.52%	1.72%	1.48%	0.12%	77.16%
Ward 5	712	451	173	5	4,701	Ward 5	11.78%	7.46%	2.86%	0.08%	77.81%
Ward 6	1,752	254	292	24	4,191	Ward 6	26.90%	3.90%	4.48%	0.37%	64.35%
Ward 7	1,597	308	285	16	4,247	Ward 7	24.75%	4.77%	4.42%	0.25%	65.81%
Ward 8	716	279	118	2	4,018	Ward 8	13.95%	5.44%	2.30%	0.04%	78.28%
Ward 9	1,027	241	444	67	6,323	Ward 9	12.68%	2.97%	5.48%	0.83%	78.04%

(Source: Stats SA, 2011)

Figure / Table 3.51: Economic sectors per ward



	In the formal sector	In the informal sector	Private household
FS193: Nketoana	9630	2045	1900
Ward 1	1053	165	154
Ward 2	777	143	150
Ward 3	852	102	197
Ward 4	1145	101	87
Ward 5	712	451	173
Ward 6	1752	254	292
Ward 7	1597	308	285
Ward 8	716	279	118
Ward 9	1027	241	444

(Source: Stats SA, Census 2011)

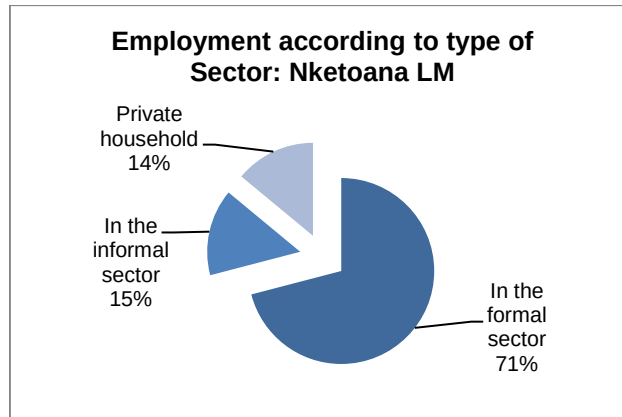
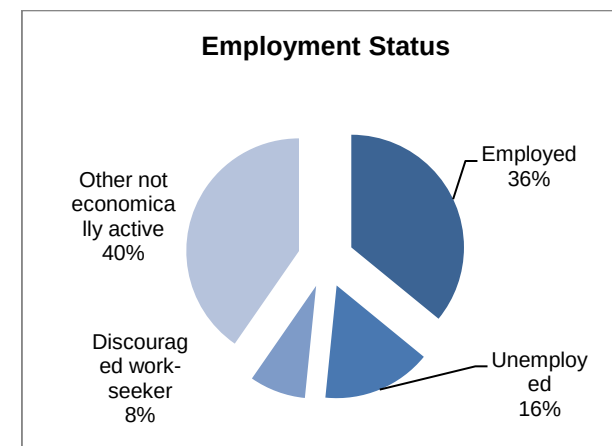
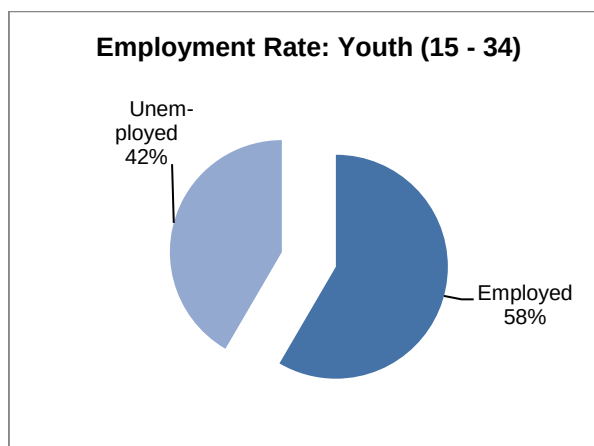
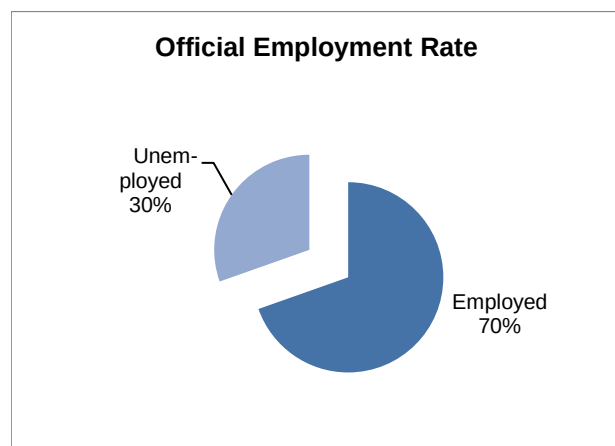
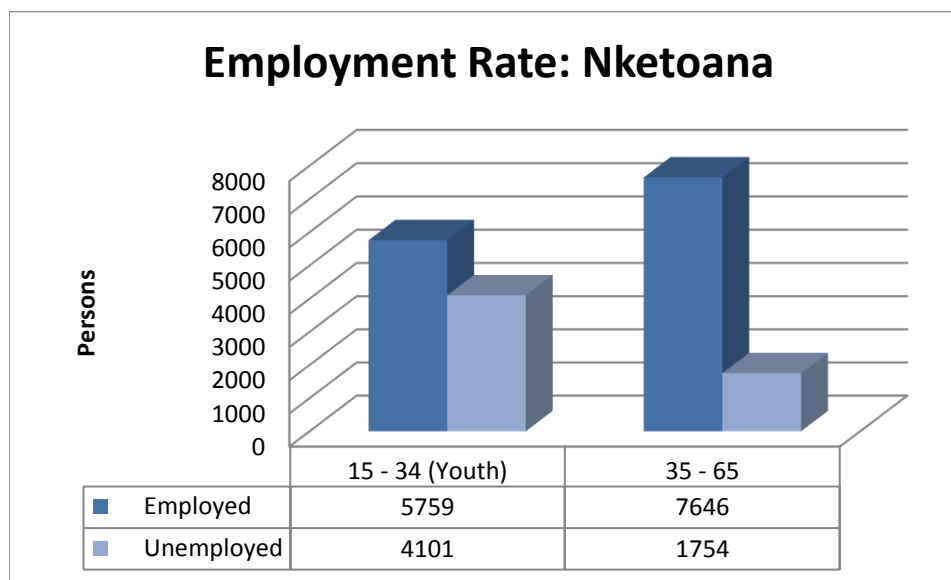
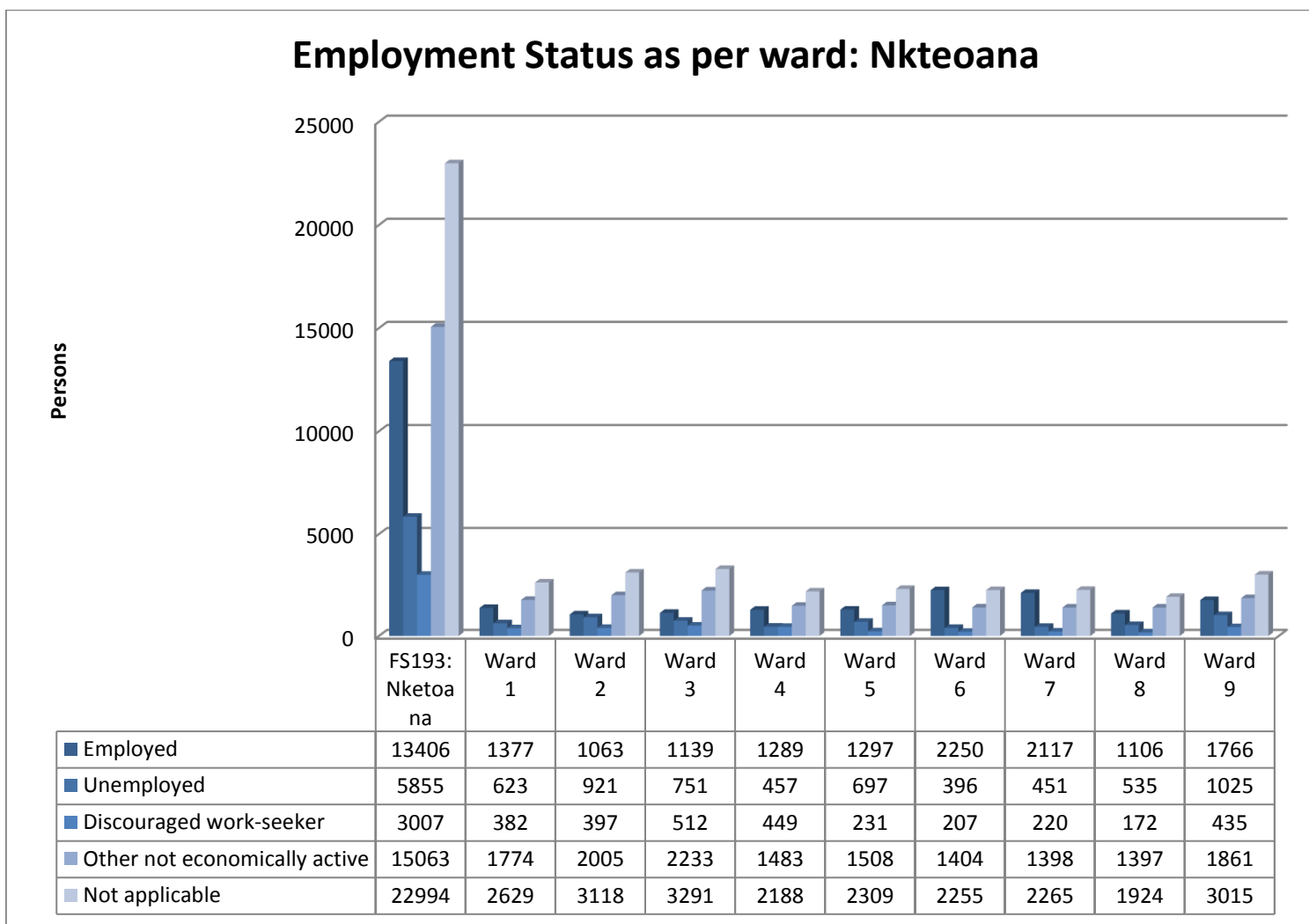


Figure / Table 3.52: Labour and Educational Profile: 2011 Census



(Source: StatsSA, Municipal Fact Sheet, Census, 2011)

Figure / Table 3.53: Employment profile per ward (StatsSA, Census, 2011)



(Source: StatsSA, Census, 2011)

Figure / Table 3.54: Employment Rate versus Qualifications Grade 12 and higher (StatsSA, Census, 2011)

	Employed			Unemployed	
	15 - 34 (Youth)	35 - 65		15 - 34 (Youth)	35 - 65
Grade 12 / Std 10 / Form 5	1660	1382		1232	279
NTC I / N1/ NIC/ V Level 2	14	19		6	2
NTC II / N2/ NIC/ V Level 3	9	22		4	-
NTC III /N3/ NIC/ V Level 4	12	24		9	2
N4 / NTC 4	17	12		7	-
N5 /NTC 5	21	13		14	1
N6 / NTC 6	24	32		18	4
Certificate with Grade 12 / Std 10	57	74		19	9
Diploma with Grade 12 / Std 10	107	279		28	9
Higher Diploma	83	303		15	6
Post Higher Diploma Masters; Doctoral Diploma	10	43		2	1
Bachelors Degree	77	162		8	-
Bachelors Degree and Post graduate Diploma	23	78		1	3
Honours degree	31	88		-	-
Higher Degree Masters / PhD	6	45		-	2

(Source: StatsSA, Census, 2011)

Figure / Table 3.55: Level of Education (StatsSA, Census, 2011)

	Gade 0 - Grade 7 / Std 5/ ABET 3	Grade 8 / Std 6 / Form 1 - N6 / NTC 6	Certificate with less than Grade 12 / Std 10 - Diploma with less than Grade 12 / Std 10	Certificate with Grade 12 / Std 10 - Post Higher Diploma Masters; Doctoral Diploma	Bachelors Degree - Bachelors Degree and Post graduate Diploma	Honours degree - Higher Degree Masters / PhD	Other - Not applicable
FS193: Nketoana	20994	24279	97	1338	440	222	12954
Ward 1	2253	2704	17	177	48	33	1553
Ward 2	2846	2869	2	91	15	12	1670
Ward 3	3063	2977	6	117	23	21	1719
Ward 4	1969	2377	5	152	57	26	1280
Ward 5	2219	2386	2	98	39	7	1290
Ward 6	2087	2387	30	283	120	62	1543
Ward 7	2105	2722	32	254	113	52	1174
Ward 8	1643	2386	1	115	9	2	978
Ward 9	2810	3472	1	51	16	6	1746

(Source: StatsSA, Census, 2011)

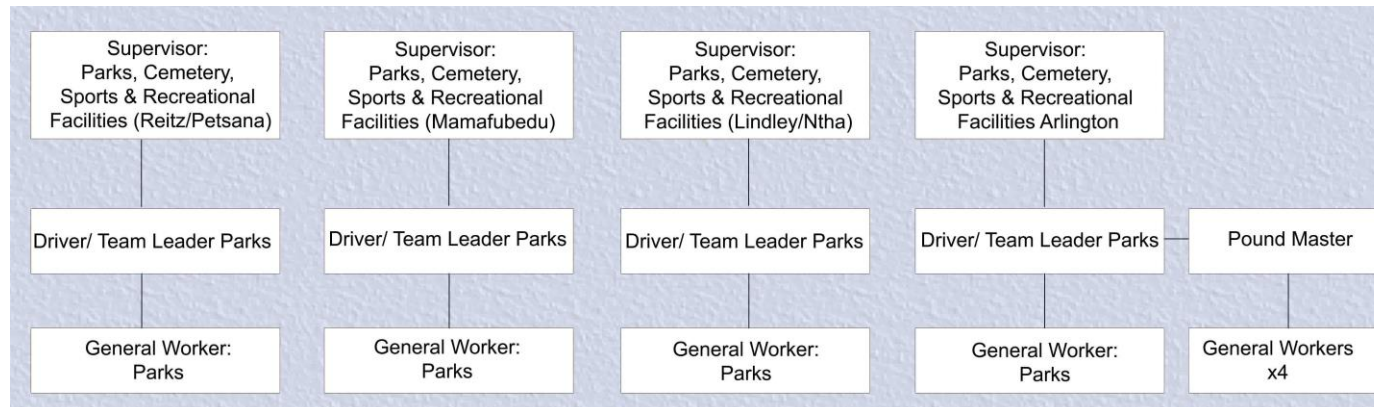
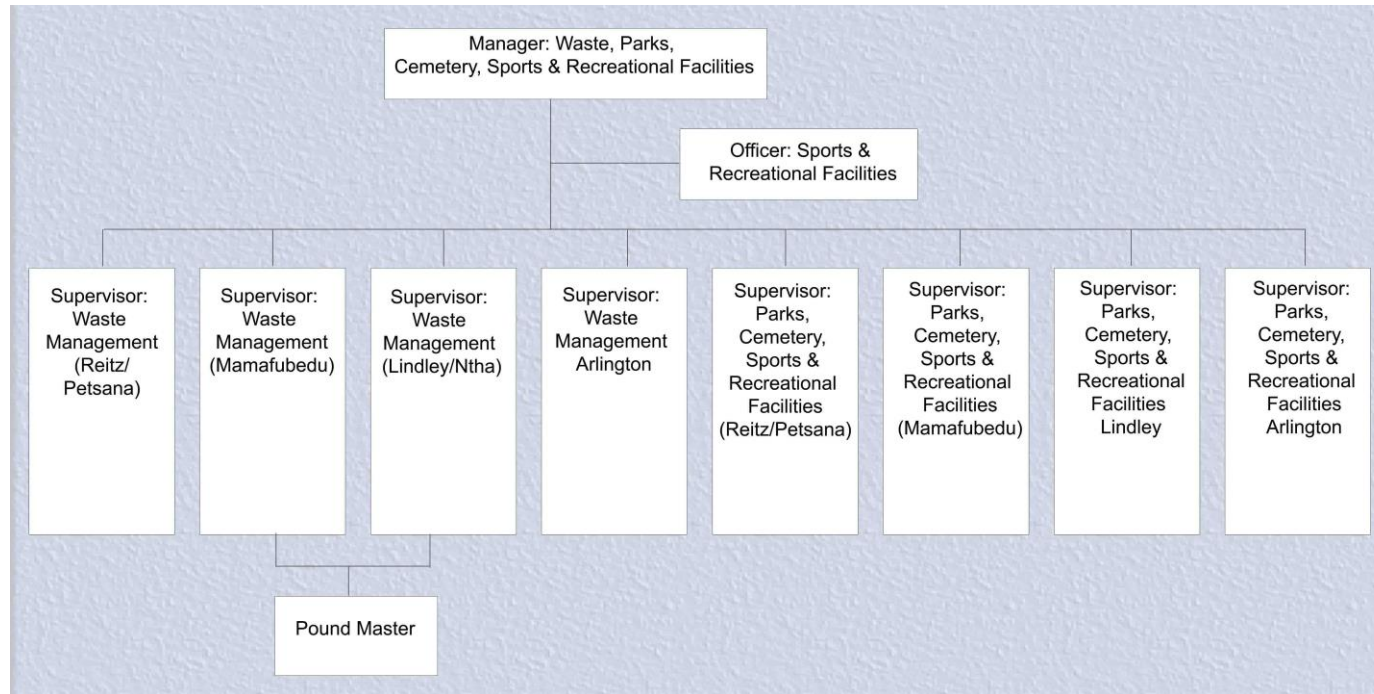
Figure / Table 3.56: Income distribution (Individual Monthly Income)

	No income	R 1 - R 400 - R 1 601 - R 3 200	R 3 201 - R 6 400 - R 12 801 - R 25 600	R 25 601 - R 51 200 - R 102 401 - R 204 800	R 204 801 or more
FS193: Nketoana	19325	35187	3493	337	26
Ward 1	1328	4666	403	39	3
Ward 2	2004	5246	184	8	1
Ward 3	3118	4315	262	19	-
Ward 4	2192	2885	467	45	2
Ward 5	2122	3381	258	20	3
Ward 6	1847	3387	715	103	8
Ward 7	2069	3344	752	88	6
Ward 8	1766	3095	237	10	1
Ward 9	2880	4867	216	7	1

(Source: StatsSA, Census 2011)

Figure / Table 3.57: Organogram







IDP Priority 5:	Local Economic Development
Strategic Objective:	To create employment opportunities in the Nketoana municipal area
Outcomes:	800 employment opportunities created through targeted IDP and LED projects – including learnerships - by the closing of the 2014/15 financial year 200 employment opportunities created through EPWP initiatives by the closing of the 2014/15 financial year
GFS Function:	Planning and Development

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Local Economic Development
IDP Priority:	LED
Vote/Function:	Planning, Job Creation

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To create employment opportunities in the Nketoana municipal area	Create at least 1000 employment opportunities created through targeted IDP and LED projects	Number of job opportunities created								1 000	88	1000	ACHIEVED Due to the decline of labor intensive projects only 88 job opportunities were created.	500	350	Daily according to weekly plan	100

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		– including learner ships																
		Create a minimum of 200 job opportunities through EPWP initiatives	Number of job opportunities created								200	88	200	ACHIEVED Due to the decline of labor intensive projects only 88 job opportunities were created.	500	365	Number of job opportunities created	100
	To create an environment conducive for investment and increased economic activity in the Nketoana municipal area	Support for LED projects in all four units	Number of credible LED projects supported	New							4	1	4	ACHIEVED There is an Agricultural Project in Reitz that is receiving support.	4	0	Number of credible LED projects supported	4
		Support for the Bielie Miellie fees by holding a JAZZ Festival to promote local upcoming artists	Number of Jazz Festivals held	New					1	0			1	NOT ACHIEVED Due to financial constraints no support could be rendered to organize a Jazz Festival during the Bielie Mielie Festival	1	0	Number of Jazz Festivals held	1
		Training of 4	Number of	4	1	0	1	0	1	0	1	0	4	NOT ACHIEVED	4	0	Number of	4

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		business forums	business forums trained											The training should take place with own funds. The financial situation did not improve enough for such training. To remedy the situation the training will be combined and all 4 forums will be trained in Reitz. The matter will be included in the coming financial year. DESTEA will also be contacted to be a possible funder.			business forums trained	
		Economic Seminar on Economic Empowerment of Women	Number of seminars conducted	New	1	1							1	ACHIEVED Successful seminar hosted in Reitz	-	-	Number of business forums trained	1
		Establishment of cooperatives that target women and the youth for job creation	Number of cooperatives established	8					(2 per unit (2x Reitz, 2x Mamafubedu, 2x Arlington, 2x		8	8	8	ACHIEVED. A list of co-operatives is available of co-operatives established. It must be kept in mind that the	8	8	Number of business forums trained	8

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		(2 per unit (2x Reitz, 2x Mamafub edu, 2x Arlington, 2x Lindley)							Lindley)=8									

IDP Priority 5:	Local Economic Development
Strategic Objective:	To create an environment conducive for investment and increased economic activity in the Nketoana municipal area
Outcomes:	- Review of the LED Strategy by the closing of the 2014/15 financial year; - Compilation and approval of 1 Tourism Strategy before the closing of the 2014/15 financial year - Train all 4 business forums in the areas of Nketoana during the scope of the 2014/15 financial year
GFS Function:	Planning and Development

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Local Economic Development
IDP Priority:	Tourism
Vote/Function:	Tourism

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure responsible tourism in the Nketoana municipal area	Review and update of a database for places of attraction in the municipality	Number of database reviewed and updated	1	1								1	ACHIEVED The database was compiled and upgraded. A copy of the document submitted as evidence	1	1	To ensure responsible tourism in the Nketoana municipal area	1
		Put Tourism signage at strategic areas <i>Explanation:</i> Clearly defined municipal borders	Number of Tourism signage erected	New							14	0	14	NOT ACHIEVED The financial constraints that the municipality is having did not allow this project to be executed because it should be funded with own funds.	14	0	Put Tourism signage at strategic areas <i>Explanation:</i> Clearly defined municipal borders	14
		Conduct a local community awareness campaign	Number of local community awareness campaign	New			1	0					1	NOT ACHIEVED The financial constraints that the municipality is having did not allow this project to be executed	1	0	Conduct a local community awareness	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		n about local township tourism	n conducted											because it should be funded with own funds.			enes s campaign about local township tourism	
		Improve marketing of Tourism in Nketoana by the installation of Visual Tour	Number of Installations of Visual Tour	New							1	0	1	NOT ACHIEVED The financial constraints that the municipality is having did not allow this project to be executed because it should be funded with own funds.	1	0	Improve marketing of Tourism in Nketoana by the installation of Visual Tour	1



Environmental Issues

The Municipality is in the final phase of finalizing the Environmental Management Plan. However, there is an understanding by management of the importance to promote a healthy environment. In this regard, the inter-dependence between environmental management planning and environmental impact studies in the case of technical and other projects that may potentially harm the environment, or scarce environmental resources (such as water) is especially important.

Figure / Table 3.58: Implications of issues related to environmental management

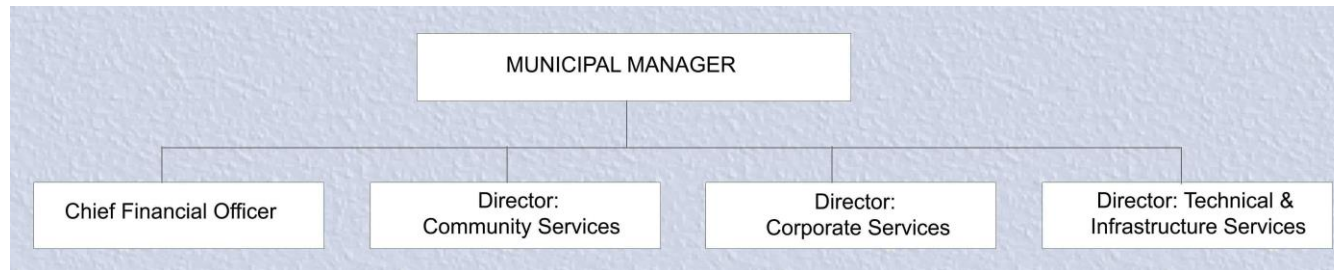
<i>Relation to the Status Quo Analysis</i>	The Municipality is aware of the potential impact of its intended projects and activities on the environment, and the Environmental Management Plan that is currently being finalized, contains a comprehensive analysis of the specifics of the current realities and situation.
<i>Contribution to objectives</i>	It is especially objectives and projects that imply a direct interaction with the environment where a large degree of sensitivity regarding environmental issues are present. In this regard, special mention could be made of water-related projects and initiatives, waste water management, roads, storm water, refuse removal, electricity, sport, recreation, traffic and firefighting. Refer to paragraph 3.7 in this IDP.
<i>Relationship with Programmes and Projects</i>	

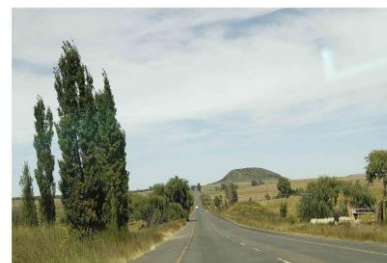
The Nketoana Municipality offers its communities, potential investors and other stakeholders several dynamic opportunities. The municipality is situated close to the important N3 main road between two of the country's primary economic centers, namely those of Durban / Pietermaritzburg and the Gauteng economic hinterland, Johannesburg / Tshwane. The Council's development focus is especially on the following opportunities:

Development Opportunity	Focus Initiatives
<i>Economic growth</i>	• Tourism is the main focus area for expanded economic growth. • Creation of a conducive environment for local economic development and job creation is a central theme in the Municipality's local economic development initiatives.

Development Opportunity	Focus Initiatives
	The Council supports national government's focus on SMME and BBBEE development. There is also an understanding of the importance of promoting local industries, but due to the rural nature of the area, it is not always possible to obtain the required skills and resources required by the Municipality from local sources.
Improved Service Delivery	- It is the Municipality's primary role to ensure basic services to its citizens in an equal and balanced manner. These include services such as water, sanitation, refuse removal, waste disposal and the maintenance of roads, streets and pavements. - The maintenance of infrastructure and replacement of ageing infrastructure is a high priority for the Council. Lack of resources severely limits Council's capacity to achieve this.
Good Governance	- The Council continuously strives improve the efficiency of its political and administrative systems, structures and processes. - It is a high priority for Council to involve its citizens in decisions affecting them. - Improved financial viability and consistent efforts to improve the efficiency of the municipality's administration and management systems and processes are high priorities.
Integrated Human Settlements	- The Municipality has managed to increase access to housing, but the backlog stays a challenge. - The Municipality currently prioritizes the review of its Spatial Development Framework and the design of an appropriate land use management system.
Social and Community Development	It is important for the Council to ensure good quality and well-maintained sport facilities, parks and community halls for its communities.

Figure / Table 3.59: Organogram





Component D: Community & Social Services

3.8 Community and Social Services

Cemeteries

There is sufficient cemetery space in Reitz, but Petsana has a newly established cemetery. There are four cemeteries that are fully utilized and closed. Due to high death rate, future cemetery areas need to be identified as a matter of urgency.

In Petrus Steyn and Mamfubedu there is adequate cemetery space and cemeteries are in a good condition. There is 1 in each settlement that needs to be maintained, fenced and upgraded and another east of the town. There are 2 cemeteries that were fully utilized and have been closed.

In Arlington and Leratswana existing cemeteries are inadequate and a new one has been planned for the Huguenot Farm. Ablution facilities have to be constructed at the existing cemeteries. There are 2 cemeteries that are fully utilized and closed.

The Lindley cemetery is almost fully utilized. A new site has to be identified or the Ntha cemetery needs to be expanded. There are 3 cemeteries that are fully utilized and closed. The Ntha cemetery is adequate over the short term, but has to be properly maintained and upgraded. The community has also requested ablution facilities at the existing cemeteries.

Social and Community Profile

Figure / Table 3.60: Social and Community Infrastructure

Nature	Reitz / Petsana	Petrus Steyn / Mamafubedu	Arlington / Leratswana	Lindley / Ntha
Education	Reitz-Petsana has 4 primary schools, 2 secondary schools, 1 combined school and a Christian Academy. In Reitz there is a satellite District Office of the Department of Education. There is also 1 boarding school and some crèches.	Petrus Steyn has 1 primary school (400 learners), 1 secondary school (1117 learners) and 2 crèches. Mamafubedu has 2 primary schools (1 085 and 1 371 learners), 1 secondary school (1 024 learners) and 4 crèches.	There is 1 primary school and 1 secondary school in Leratswana, as well as 2 crèches.	In Lindley and Ntha there are primary and secondary schools, as well as several crèches and day care facilities.
Health Services	Reitz-Petsana boasts a fully equipped provincial hospital with 2 wards and 65 beds. It operates 24 hours a day. There is a municipal clinic in Petsana, a community clinic in Reitz, trauma centre and a step-down facility.	Petrus Steyn has 1 clinic and a mobile clinic services the rural areas. Health facilities in Reitz and Bethlehem are used for more advanced medical treatment and emergencies. All units render home-based services, with volunteers trained by the Provincial Department of Health.	There is 1 clinic in Leratswana. Health facilities in Reitz and Bethlehem are used for more advanced medical treatment and emergencies.	There is a clinic in Lindley, but it is not satisfactory to the community, due to a lack of nursing staff and doctors. Furthermore, "Bato Pele Principles" are not practiced by staff.
Welfare Services	The following social welfare services are available, under guidance of the Department of Social Welfare: Social workers from Kinderlike Maatskaplike Dienste (KMD).	Welfare organisations are available in Petrus Steyn and Mamafubedu. Welfare services are rendered by Kinderlike Maatskaplike Dienste (KMD). Social workers from the provincial department, from the Bethlehem	Welfare services are rendered by Kinderlike Maatskaplike Dienste (KMD). Social workers from the provincial department, from the Bethlehem office, render service once a week.	Welfare services are rendered by Kinderlike Maatskaplike Dienste (KMD). Social workers from the provincial department, from the Bethlehem office, render service once a week.

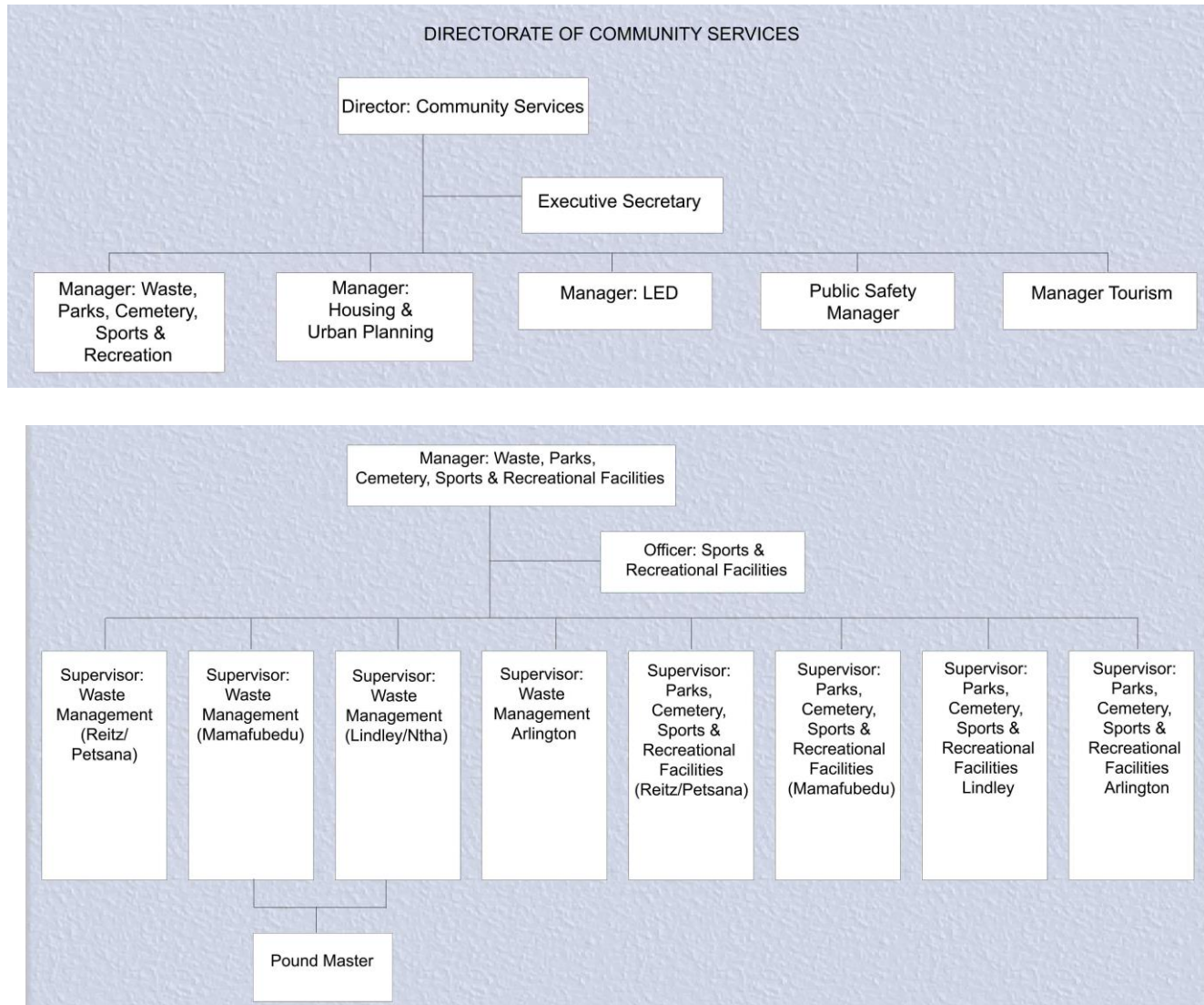
Nature	Reitz / Petsana	Petrus Steyn / Mamafubedu	Arlington / Leratswana	Lindley / Ntha
		office, render service once a week.		There is 1 old age home.
Social Services	• Social workers from the Department of Social Welfare that provide weekly or bi-weekly visits, • Two development workers - stationed in Bethlehem. • Pension applications done every Tuesday. • Service centre for the aged. • Four registered crèches in Petsana. • Five job creation projects. • Two old age homes namely Sisters of St Paul and Huis Sorgvry. • A number of home-based care groups. • Women's groups. • Various facilities and projects.	There are 2 old age homes and a Centre for disabled people.		
Churches	Numerous churches represent the denominational spectrum are available	Numerous churches represent the denominational spectrum are available.	All denominations are represented.	There are several churches of all denominations.
Government	Government and semi-government functions located in Reitz-Petsana are Magistrate's Office, South African Police Service, Provincial Traffic, Public Works and Roads, Agriculture, and the Regional Education Department.	Government functions located in Petrus Steyn is Magistrate's Office, and the South African Police Service. The Municipal offices are located in Petrus Steyn.		

Nature	Reitz / Petsana	Petrus Steyn / Mamafubedu	Arlington / Leratswana	Lindley / Ntha
Sports, Recreation, Conservation and Tourism	Community hall Sports Facility SMME Hub Community Hall in Petsana The Piet Geyer Sport Park is situated in Reitz and the Petsana Sports Grounds in Petsana. These grounds provide various sport facilities, like soccer, rugby, tennis, netball, volley ball, basketball, cricket, athletics and swimming. The Petsana Sports Grounds needs to be upgraded. A 9-hole golf course is next to the Vrede Road outside Reitz. Recreation services are provided in the form of a caravan park, various parks and open spaces and also the "Bietjie-Water" holiday resort on the Warden Road, 8 km from Reitz. Tourist attractions are flower farms, bird farms, 2 lion farms and various national monuments. Tourist events are the Bieliemielie (maize) festival in summer, the annual motorbike festival and VKB rugby week. There are 3 guesthouses, 1 hotel, 1 guest lodge and 1 caravan park and 1 holiday resort. There is a game	Community hall Sports Facility Youth Development Centre There is a privately owned sports grounds northeast of Petrus Steyn. In Petrus Steyn soccer, rugby, golf, horse riding, bowls, tennis, netball, basketball, squash, athletics, badminton and jukskei are on offer. In Mamafubedu soccer, volleyball, karate, boxing, Softball, table tennis and pool are practiced, regardless of the lack of formal facilities. Various festivals are held annually, like the Sunflower Festival. There is a hotel, numerous guesthouses, 3 game farms and the renowned Kruispad missionary church available to tourists. There are also flower, nut and bird farms and the annual stud auctions that attract visitors to the area.	Community halls in Arlington as well as Leratswana Arlington has 1 sport facility. Leratswana only has a soccer field, in poor condition. Arlington hosts the Agri-Tourist Route at Wisp-Will Game Lodge and has many other game farms as tourist attractions, especially for hunting. There are walking trails and annual stud auctions.	Community hall Sports Facility Tourism centre Lindley has a functional multi-purpose sport facility close to the Vals River, north of the town. Ntha has an allocated sport site, but it is not developed. There are also various undeveloped parks. The Vals River runs next to Lindley-Ntha and subsequently various riverside, as well as wetland areas, exist in the area that are of ecological sensitivity and requires proper conservation management. Lindley is the birthplace of Dr Danie Craven. It also has an annual festival called Kuierfees. It has 1 holiday resort, 3 B&Bs and 1 guest farm. There is also the Yeomanny Koppies and graves, famous due to its Anglo-Boer War heritage. The Piekniekdraai resort has great potential and should be developed. In Ntha is a historic Dutch Reformed Church.

Nature	Reitz / Petsana	Petrus Steyn / Mamafubedu	Arlington / Leratswana	Lindley / Ntha
	park within Reitz, with black wildebeest, zebras, ostriches, and so forth. There are also annual stud auctions.			
Emergency Services	An ambulance service assists Reitz, its district and Petrus Steyn. The local call centre is at Reitz, but it is slow and inadequate. The municipality has a fire brigade service, linked to the traffic department and ambulance service; it services the entire Nketoana.	Qualified paramedical personnel, in conjunction with an ambulance service from Reitz are utilised. The call centre was moved to Bloemfontein, but sometimes there are no answer and long waiting periods for the ambulance. The road conditions in Mamafubedu hamper emergency service delivery. The municipality has a fire brigade service and focus on the municipal area within a 5 km radius. Outside this radius, farmers receive fire hydrants and similar equipment.	Ambulances from Senekal are dispatched from the Bloemfontein call centre. Firefighting services are rendered from Reitz.	Lindley has an ambulance station, with the call centre in Bloemfontein that is not functioning well. There is a bakkie with a fire fighter.
Safety & Security	The SAPS has a Community Service Centre in Reitz and Community Policing Forum.	The SAPS has a local police station in Petrus Steyn and a community policing structure as support.	The SAPS has a Community Service Centre in Arlington and Community Policing Forum.	The SAPS has a Community Service Centre in Lindley and Community Policing Forum.
Other community facilities	Reitz-Petsana each has a community hall and libraries.	Petrus Steyn accommodates the post office and Telkom offices. There is a library in Petrus Steyn and another in Mamafubedu. Mamafubedu also has a community hall.	Arlington-Leratswana each has a conveniently located community hall. There is a post office in Arlington. The library is housed by the primary school.	Lindley and Ntha each have a community hall and libraries. There is a post office in Lindley. The town hall in Lindley is a historic sand stone building that needs upgrading.

(Source: Nketoana SDF, 2010,2011)

Figure / Table 3.61: Organogram



IDP Priority 8:	Cemeteries and Parks
Strategic Objective:	To ensure effective management of graveyards and cemeteries in the Nketoana municipal area
Outcomes:	6 operational cemeteries
Vote:	Community and Social Services
Sub-function:	Cemeteries and Crematoriums

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Cemeteries and Parks
Vote/Function:	Community and Social Services

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure effective management of graveyards and cemeteries in the Nketoana municipal area	Routine operation and maintenance of parks and cemeteries Standard : Daily maintenance of parks according	Frequency of maintenance at parks, according to operational schedule	Daily	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	Daily, according to schedule	ACHIEVED Daily, according to schedule. Monthly reports are presented as evidence	Daily, according to schedule	Daily, according to schedule	To ensure effective management of graveyards and cemeteries in the Nketoana	Daily, according to schedule

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		g to operational schedules. Not all parks are serviced daily, but the maintenance is done according to the maintenance schedule															municipal area	
		Purchasing of 1 TLBs	Number of TLBs purchased	New							1	0	1	NOT ACHIEVED Due to financial constraints it could not be procured. However, the aging equipment is posing a disruption of Services and this matter is included in the 2016/2017 budget as an urgent priority. There is also negotiations in process to arrange special instalments for the purchase.	1	0	Purchasing of 1 TLBs	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure effective management of graveyards and cemeteries in the Nketoana municipal area	Upgrading of parks: - Planing of trees - Grassing - Installation of benches, boulders and seating - Play ground equipment - Outdoor gym equipment Phase 1: Ntha	Number of parks upgraded	0							1	1	1 Ntha	ACHIEVED The project is successfully implemented and almost done.	1 Petsana 1 Ntha 1 Leratswana	0	To ensure effective management of graveyards and cemeteries in the Nketoana municipal area	1
	Computerization of	Procure software,	Number of	New							1	0	1	NOT ACHIEVED	1	0	Computeri	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	grave records	install and implement	programs procured											Due to financial constraints no procurement took place. The matter is included in the coming financial year.			zation of grave records	

IDP Priority 10:	Sport and Recreational Facilities
Strategic Objective:	To ensure access to quality sport and recreational in the Nketoana municipal area
Outcomes:	- Upgrade Mamafubedu sport facility - Ntha-sport facility in 2014/15 - Upgrading of Piekniekdraai in Lindley to cater for caravans
Vote:	Sport and Recreation

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Sport
Vote/Function:	Sport & Recreational Facilities & Music Halls
Directorate:	Community Services

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure access to quality sport and recreational in the Nketoana municipal area	Upgrading of Mamafubedu Sports Complex Phase 2: according to the requirements of the contract documentation and project specifications	Numbers of second phase construction project activities finalized	1 st phase construction completed							1 (Second phase construction)	1	1	ACHIEVED The upgrading was successfully completed and the facility is an improvement for the Mamafubedu community. Photos and Completion certificate submitted as evidence.	1	1	-	-
		Upgrading of Petsana Sports Complex Phase 1 Construction of a Guard House, Fencing of the area	Construction of a Guard House, Fencing of the area	New	1	1							1	ACHIEVED The project was started and will be a multi-year venture to be completed in 2017/2018	-	-	Upgrading of Petsana Sports Complex Phase 1 Construction of a Guard House, Fencing of	Phase 2 of the multi-year project

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
																	the area	
		Upgrading of Lindley Picnic Draai according to the requirements of the contract documentation and project specifications	Provision made to cater for caravans	New							1	0	1	NOT ACHIEVED This project must be funded out of own funds and due to the financial constraints the project could not be executed. Alternative funding could not be obtained for the project	1	0	Upgrading of Lindley Picnic Draai according to the requirements of the contract documentation and project specifications	1



Component E: Health

3.9 Health

Section 152 of the Constitution, 1996, stipulates as the core objects of local government the following:

1. *The objects of local government are -*
 - a. *to provide democratic and accountable government for local communities;*
 - b. *to ensure the provision of services to communities in a sustainable manner;*
 - c. *to promote social and economic development;*
 - d. *to promote a safe and healthy environment; and*
 - e. *to encourage the involvement of communities and community organisations in the matters of local government.*
2. *A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1).*
3. The Nketoana Local Municipality places these objects at the core of all its operations, programmes and projects, and has therefore, in compliance with the National Government's vision for local government, structured its activities according to the following five key performance areas:
4. *Key Performance Areas, and their relation to the objects of the Constitution, 1996*

Objects of the Constitution, 1996	Municipal Key Performance Areas
<i>to provide democratic and accountable government for local communities</i>	Good Governance & Public Participation
<i>to encourage the involvement of communities and community organizations in the matters of local government</i>	
<i>to ensure the provision of services to communities in a sustainable manner</i>	Basic Service Delivery & Infrastructure Investment
<i>to promote a safe and healthy environment</i>	
<i>to promote social and economic development</i>	Local Economic Development (including job creation)

The removal of any household or other waste and the disposal of such waste in an area, space or facility established for such purpose, and includes the provision, maintenance and control of any infrastructure or facility to ensure a clean and healthy environment.

By establishing and maintaining parks, the municipality contribute to a healthy environment.

Municipal health services means environmental health services performed by the District Municipality.

Infrastructure in terms of Physical Health Services in the area are as follow:

Social and Community Infrastructure (Nketoana SDF, 2010-2011)

Nature	Reitz / Petsana	Petrus Steyn / Mamafubedu	Arlington / Leratswana	Lindley / Ntha
Health Services	Reitz-Petsana boasts a fully equipped provincial hospital with 2 wards and 65 beds. It operates 24 hours a day. There is a municipal clinic in Petsana, a community clinic in Reitz, trauma centre and a step-down facility.	Petrus Steyn as 1 clinic and a mobile clinic services the rural areas. Health facilities in Reitz and Bethlehem are used for more advanced medical treatment and emergencies. All units render home-based services, with volunteers trained by the Provincial Department of Health.	There is 1 clinic in Leratswana. Health facilities in Reitz and Bethlehem are used for more advanced medical treatment and emergencies.	There is a clinic in Lindley, but it is not satisfactory to the community, due to a lack of nursing staff and doctors. Furthermore, "Bato Pele Principles" are not practices by staff.

Component F: Safety and Security

3.10 Safety and Security

Figure / Table 3.62: Organogram





IDP Priority:	Traffic & Fire
Strategic Objective:	To ensure access to quality Law enforcement and safety in the Nketoana municipal area
Outcomes:	- Road safety, prevention of loss of lives on Nketoana roads - Effective law enforcement
Vote:	Traffic & Fire

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Traffic & Fire
Vote/Function:	Traffic Law Enforcement

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure access to quality Law enforcement and safety in the Nketoana municipal area	Provision of safe traffic environment.	Value of traffic fines Issued. Value of traffic fines Collected	New	R50,000 R50 000	R478 000 R46 200	R50,000 R50 000	R112 000 R518 989	R50,000 R50 000	R59 900 R60 600	R50,000 R50 000	R39 300 R58 870	R200,000	ACHIEVED The issued fines for the year exceed the annual target as well as the collected fines.	R200 000	R184 950	Value of traffic fines Issued. Value of traffic fines Collected	R40 000
		Speed humps constructed in all 4 units	Number of speed humps constructed in Reitz	New							20	0	20	NOT ACHIEVED Due to financial constraints no humps could be constructed. This will be carried over to the coming financial year	20	25	Number of speed humps constructed in Reitz	20
			Number of speed	New							15	0	15	NOT ACHIEVED	10	0	Number of	15

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
			humps constructed in Mamafubedu											Due to financial constraints no dumps could be constructed. This will be carried over to the coming financial year			speed humps constructed in Mamafubedu	
			Number of speed humps constructed in Lindley	New							15	0	15	NOT ACHIEVED Due to financial constraints no dumps could be constructed. This will be carried over to the coming financial year	10	0	Number of speed humps constructed in Lindley	15
			Number of speed humps constructed in Arlington	New							15	14	15	ACHIEVED Photos submitted as evidence	6	0	Number of speed humps constructed in Arlington	1
		Development of Disaster Management Plan	Number of Disaster Management plans developed	New							1	1	1	ACHIEVED The plan was developed in co-operation with the District. The plan was approved by Council.	1	0	Review of Disaster Management Plan	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure access to quality Law enforcement and safety in the Nketoana municipal area	Effective use and control of Council Fleet by: Review of the Fleet Management Policy	Number of Fleet management Policies reviewed	New							1	0	1	NOT ACHIEVED The policy can be developed in house but due to understaffing it could not be done yet. However, assistance was obtained from the district Municipality and the document will be developed in the coming financial year	-	-	Number of Fleet management Policies reviewed	1
		Effective use and control of Council Fleet by: Review and control Logbooks for all vehicles	Monthly review of logbooks through generating reports on logbooks. Targets and actuals defined in terms of the number of reports	New	3 x Reports on logbooks (1 per month)	3	3 x Reports on logbooks (1 per month)	3	3 x Reports on logbooks (1 per month)	3	3 x Reports on logbooks (1 per month)	3	12 reports (1 per month, 3x per quarter)	ACHIEVED The reports are included in the logbooks. Copies of the logbooks were submitted as evidence	-	-	Monthly review of logbooks through generating reports on logbooks. Targets and actuals defined in terms	12

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
																	of the number of reports	
		Effective use and control of Council Fleet by: Develop a Policy on Use of Municipal vehicles	Number of policies developed	New							1	1 Draft	1	ACHIEVED A policy for the Mayoral and Speaker car was developed. Council approval is awaited	-	-	Number of policies developed	1
		Installation of tracking system in all municipal vehicles	Number of vehicles equipped with tracking systems	New							20	0	20	NOT ACHIEVED Due to financial constraints this project could not be implemented. As it is an urgent priority it will be move to the coming financial year	-	-	Number of policies developed	20

IDP Priority:	Tourism
Strategic Objective:	To ensure responsible tourism in the Nketoana municipal area
Outcomes:	Tourism Promotion
Vote:	Tourism

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

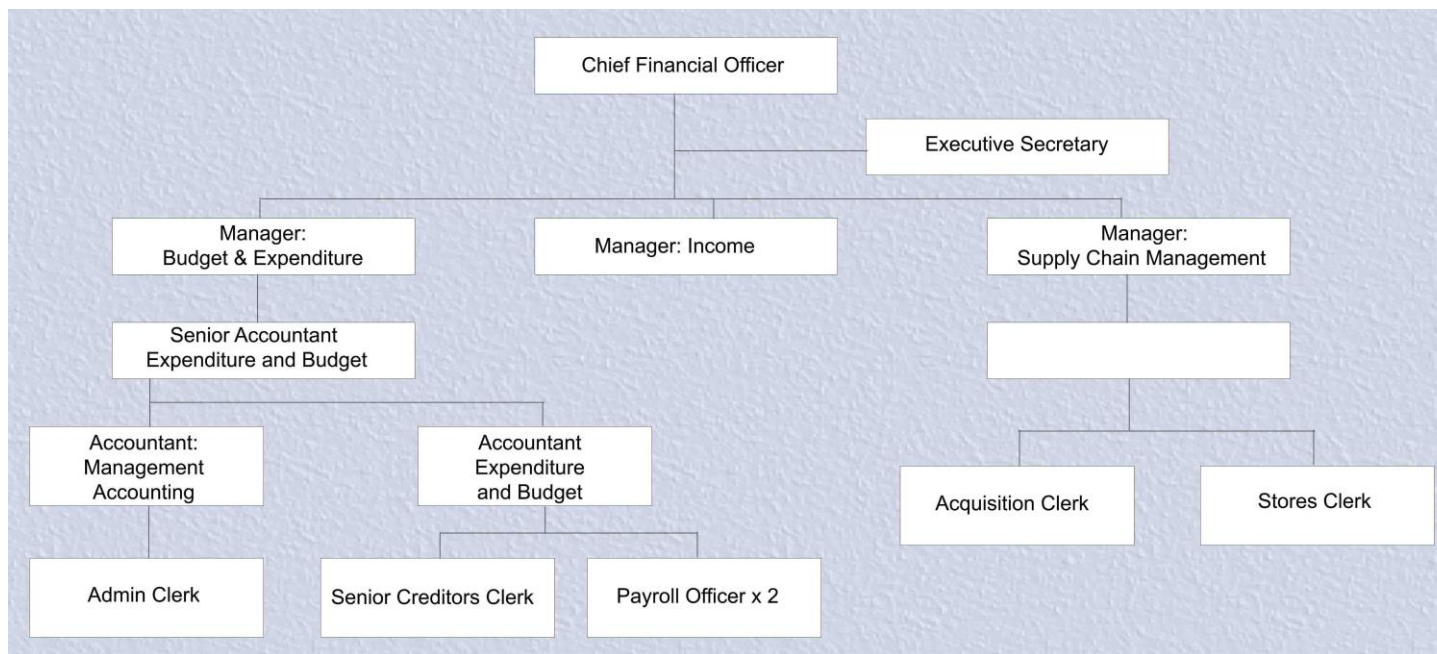
Key Performance Area:	Local Economic Development
IDP Priority:	Tourism
Vote/Function:	Tourism

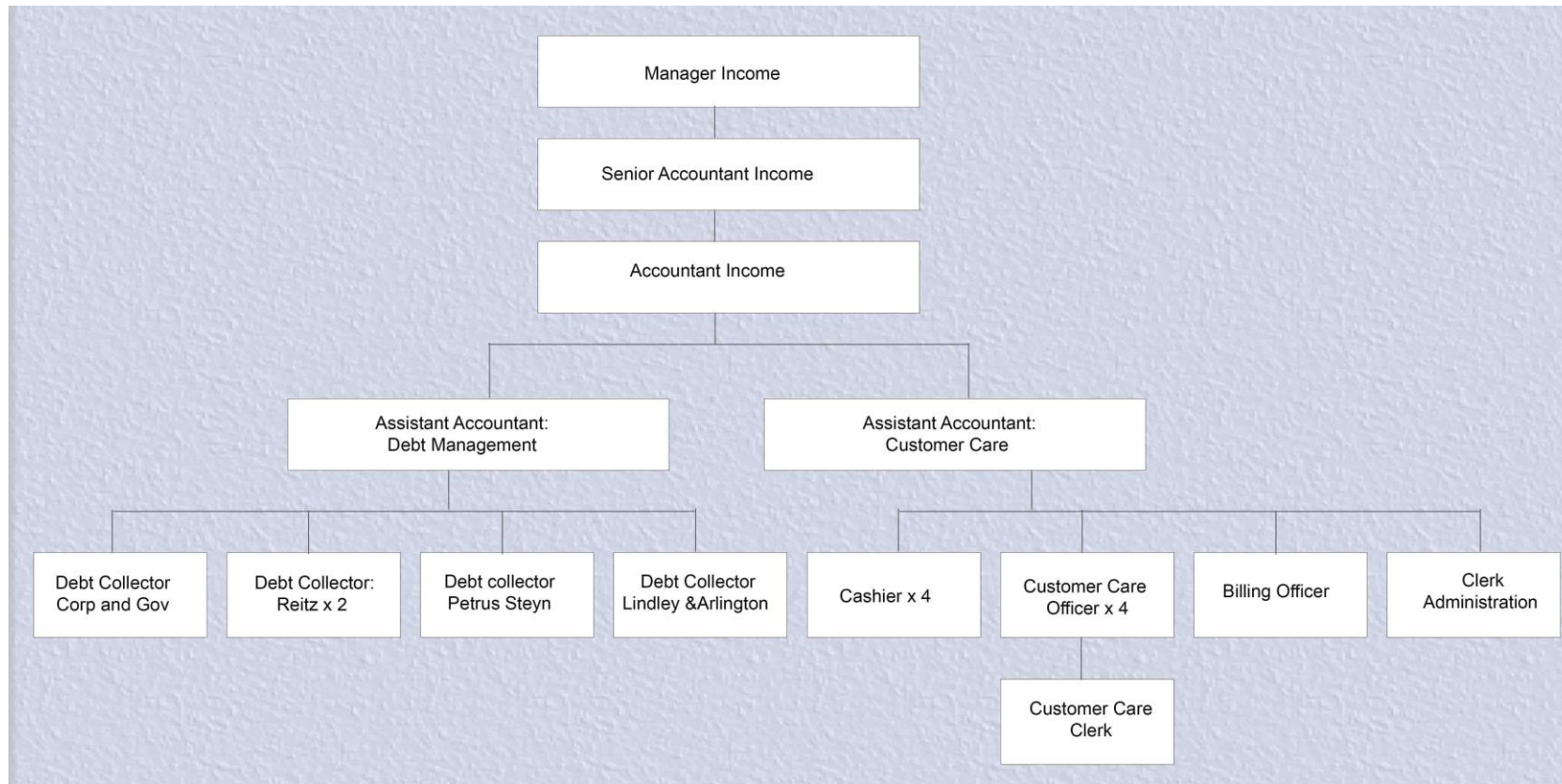
Key Performance Indicator			Baseline	Targets								Annual Target	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
To ensure responsible tourism in the Nketoana municipal area	Review and update of a database for places of attraction in the municipality	Number of database reviewed and updated	1	1								1	ACHIEVED The database was compiled and upgraded. A copy of the document submitted as evidence	1	1	To ensure responsible tourism in the Nketoana municipal area	1
	Put Tourism signage at strategic areas	Number of Tourism signage erected	New							14	0	14	NOT ACHIEVED The financial constraints that the municipality is having did not allow this	14	0	Put Tourism signage at strate	14

Key Performance Indicator			Baseline	Targets								Annual Target	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	<i>Explanation:</i> Clearly defined municipal borders												project to be executed because it should be funded with own funds.			gic areas <i>Explanation:</i> Clearly defined municipal borders	
	Conduct a local community awareness campaign about local township tourism	Number of local community awareness campaign conducted	New			1	0					1	NOT ACHIEVED The financial constraints that the municipality is having did not allow this project to be executed because it should be funded with own funds.	1	0	Conduct a local community awareness campaign about local township tourism	1
	Improve marketing of Tourism in Nketoana by the installation of Visual Tour	Number of Installations of Visual Tour	New							1	0	1	NOT ACHIEVED The financial constraints that the municipality is having did not allow this project to be executed because it should be funded with own funds.	1	0	Improve marketing of Tourism in Nketoana by the installation of Visual Tour	1

Component G: Financial Management

Figure / Table 3.63: Organogram





FINANCE STAFF

Permanent	Contractual	Interns	Officials competency assessment completed	Supply Chain Management Officials	Supply Chain Officials competency assessment completed	SCM officials meeting prescribed competency levels
24	11	05	14	03	02	02 (waiting for results)
			10 (still for results)		01 (to complete outstanding modules)	

Financial Viability & Management

IDP Priority 6:	Institution Building
Strategic Objective:	To monitor, evaluate and improve the financial viability of the Nketoana local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001
Outcomes:	• 100% of the municipality's capital budget actually spent on capital projects by the closing of the 2013/14 financial year; • Not exceeding the operating budget • No unauthorized, fruitless, irregular, wasteful or fruitless expenditure by the closing of the 2013/14 financial year • 2% of a municipality's budget actually spent on implementing its workplace skills plan (Target of 2% of the operating budget include formal skills training to staff and Councilors, learnerships and bursaries to members of the public); and • financial viability as expressed by the following ratios: 1. Debt coverage 2. Outstanding service debtors to revenue 3. Cost coverage
Vote:	Finance and Admin
Sun-function:	Finance

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Financial Viability and Management
IDP Priority:	Institution Building
Vote/Function:	Revenue Enhancement

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To monitor, evaluate and improve the financial viability of the Nketoana local municipality as measured in terms of the key indicators of the Municipal Planning and Performance Management Regulations, 2001	Review of the Revenue Enhancement Strategy	Number of Revenue Enhancement Strategies reviewed	1							1	1	1	ACHIEVED The strategy was reviewed and approved by Council.	1	1	Review of the Revenue Enhancement Strategy	1
		Value of debtors outstanding by the	Amount of arrears at the	R450 Million							R250 million	R335 million	R250 million	NOT ACHIEVED The outstanding debtors at the end of the	R250 million	R246 million	Amount of arrears at	R300 million

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		closing of the financial year	closing of the FY											financial year is R335 892 813.17. The figure of outstanding debtors is growing drastically and prevent the municipality to achieve a positive recovery target.			the closing of the FY	
		Update of indigent register	Number of Indigent registers updated	1							1	1	1 register, 4,000 beneficiaries	ACHIEVED The Indigent Register is updated continuously during the financial year. The number of registered indigents is 4773	1	1	Amount of arrears at the closing of the FY	1
		Review of the credit control and debt collection policy	Number of policies reviewed	1							1	1	1	ACHIEVED The policy was reviewed during the Budget process. A copy of the policy serves as evidence	1	1	Number of policies reviewed	1
		Financial Viability, as measured in terms of Regulation 10 of the Planning and Performance	Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants)	New							1 - 3 Months	0.03	1 - 3 Months	NOT ACHIEVED The financial position and the serious cash flow constraints have to be improved to enable the municipality to reach the set target. The CFO in co-operation of				

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		nce Management Regulations, 2001												the National Treasury is in the process of developing a Financial Recovery Plan to be implemented in 2016/2017. The implementation of mSCOA will also assist the municipality to refine its budget and then control expenditure				
		Update of indigent register	Number of Indigent registers updated	1							1	1	1 register, 4,000 beneficiaries	ACHIEVED The Indigent Register is updated continuously during the financial year. The number of registered indigents is 4773	1	1	Number of Indigent registers updated	1 with 5 000 Beneficiaries
		Review of the credit control and debt collection policy	Number of policies reviewed	1							1	1	1	ACHIEVED The policy was reviewed during the Budget process. A copy of the policy serves as evidence	1	1	Review of the credit control and debt collection policy	1
			Debt (Total Borrowings) / Revenue								45%	3%	45%	NOT ACHIEVED R 9 155 466 R315 760 635 The financial position and the				

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														serious cash flow constraints have to be improved to enable the municipality to reach the set target. The CFO in co-operation of the National Treasury is in the process of developing a Financial Recovery Plan to be implemented in 2016/2017. The implementation of mSCOA will also assist the municipality to refine its budget and then control expenditure				
		Merging between the Financial System and the prepaid electricity system	Number of merging processes finalized	Status quo							1	1	1	ACHIEVED It was implemented but with intervention of Council stopped..	-	-	Full implementation of the merger.	1
		Ensure regular billings (before or on the 25 th of each month)	Date on which billings are done each month	25 th of each month	25 th of each month	25 th of each month	25 th of each month	25 th of each month	25 th of each month	25 th of each month	25 th of each month	25 th of each month	25 th of each month	ACHIEVED The billing takes place before or on the 25 th of each month. A copy of the billing reports serve as evidence	25 th of each month	25 th of each month	Ensure regular billings (before or	25 th of each month

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		(according to Revenue Collection policy)															on the 25 th of each month) (according to Revenue Collection policy)	
		Amount of revenue collected per month	Amount collected	R5 million per month billing (75% collection)	R3,5million per month collected = R10,5 million	R16 872 452	R3,5 million per month collected = R10,5 million	R16 777 997.02	R3,5million per month collected = R10,5 million	R12 633 349.03	R3,5million per month collected = R10,5 million	R20 011 229.65	R3,5million per month collected = R42 000 000	ACHIEVED The amount collected for the financial year is R66 295 027.84. Although this is an over achievement, it is still not enough to improve the financial position drastically.	R36 million	R59 million	Amount of revenue collected per month	R4,5 million per month
		Collection of grants in terms of the allocation in DoRA	Percentage of grants received	100%	100%		100%		100%		100%		100%	ACHIEVED No grants were held back by Treasury.	100%	100%	Amount of revenue collected per month	100%

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		Revenue Report	Number of revenue reports	12	3	3	3	3	3	3	3	3	12	ACHIEVED Copies of the report submitted as evidence	12	12	Number of revenue reports	12
		Monthly budget reports compiled and submitted in terms of section 71 of the MFMA	Number of monthly budget reports	1 per month	3	3	3	3	3	3	3	3	12	ACHIEVED Copies of the report submitted as evidence	12	12	Number of monthly budget reports	12
		Timely compilation and approval of the annual budget	Annual budget approved by May	1							1	1	1	ACHIEVED Copy of the document as well as the Council resolution submit as evidence	1	1	Number of monthly budget reports	1
		Timely compilation and approval of the annual adjustment budget	Annual adjustment budget approved by February	1							1	1	1	ACHIEVED Copy of the document as well as the Council resolution submit as evidence	1	1	Annual adjustment budget approved by February	1
		100% of the municipality's	Percentage of the capital	100%							100%		100%	ACHIEVED Due to excellent management from the PMU	100%	100%	Percentage of the	100%

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		capital budget actually spent on capital projects	budget spent											the capital budget could be spend at 100%			capital budget spent	
		No over-expenditure on the operating budget	Percentage of the operating budget spent	Over-expenditure							90-100%	102%	90-100%	NOT ACHIEVED The financial position and the serious cash flow constraints have to be improved to enable the municipality to reach the set target. The CFO in co-operation of the National Treasury is in the process of developing a Financial Recovery Plan to be implemented in 2016/2017. The implementation of mSCOA will also assist the municipality to refine its budget and then control expenditure				
		No unauthorized, irregular, fruitless or wasteful expenditure	Amount of unauthorized, irregular, fruitless or wasteful expenditure	R21,430,022							R0	Fruitless: R17 037 858 Irregular: R1 553 985	R0	NOT ACHIEVED Fruitless: R17 037 858 Irregular: R1 553 985 Unauthorized: R0				

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
												Unauthorised: R0		The financial position and the serious cash flow constraints have to be improved to enable the municipality to reach the set target. The CFO in co-operation of the National Treasury is in the process of developing a Financial Recovery Plan to be implemented in 2016/2017. The implementation of mSCOA will also assist the municipality to refine its budget and then control expenditure better				
		2% of a municipality's budget actually spent on implementing its workplace skills plan	Percentage of municipality's budget actually spent on implementing its workplace skills plan	1%							2%	0.1%	2%	NOT ACHIEVED The financial position and the serious cash flow constraints have to be improved to enable the municipality to reach the set target. The CFO in co-operation of the National Treasury is in the process of developing a				

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														Financial Recovery Plan to be implemented in 2016/2017. The implementation of mSCOA will also assist the municipality to refine its budget and then control expenditure better				
		Investment reconciliation report	Number of reports	12	3	3	3	3	3	3	3	3	12	ACHIEVED Copies of the report serve as evidence	12	12	Investment reconciliation report	12
		Supply Chain Management reports	Number of SCM reports to Council	12	3	3	3	3	3	3	3	3	12	ACHIEVED Copies of the report serve as evidence	12	12	Number of SCM reports to Council	12
		Annual stock-takes	Number of monthly reconciliations	12	3	3	3	3	3	3	3	3	12	ACHIEVED Copies of the report serve as evidence	12	12	Number of monthly reconciliations on stock taking	12

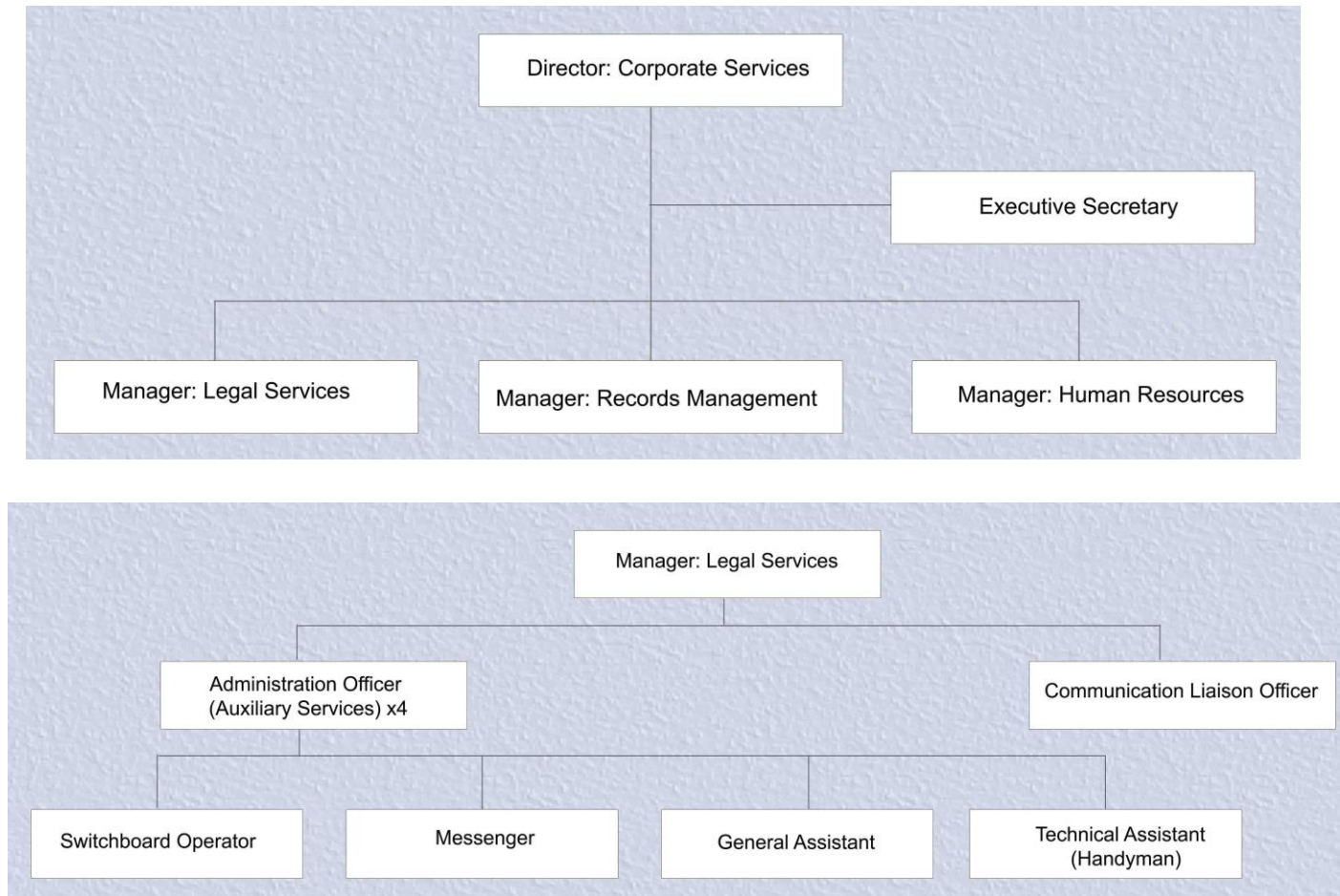
Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
			Annual stock-takes	1	1	1							1	ACHIEVED Done in co-operation of AG	1	1	Annual stock-takes	1
		Pay all creditors within 30 days	Percentage of creditors paid within 30 days	100%	100%		100%		100%		100%	0%	100%	NOT ACHIEVED The financial situation prevent the payment of creditors within 30 days. A financial recovery plan developed in co-operation of National Treasury will be implemented in the coming financial year	100%		Percentage of creditors paid within 30 days	100%
		Committees: Bid Adjudication, Bid, Evaluation, Bid Specification	Period lapsed after closing of a bid to awarding of the tender	60 days	60 days	60 days	60 days	60 days	60 days	60 days	60 days	60 days	60 days	ACHIEVED Copies of minutes submitted as evidence	60 days	60 days	Period lapsed after closing of a bid to awarding of the tender	60 days
		Verification of moveable and immovable assets	Number of verifications	1							1	1	1	ACHIEVED It was done in co-operation of the AG	1	1	Verification of moveable and immovable assets	1

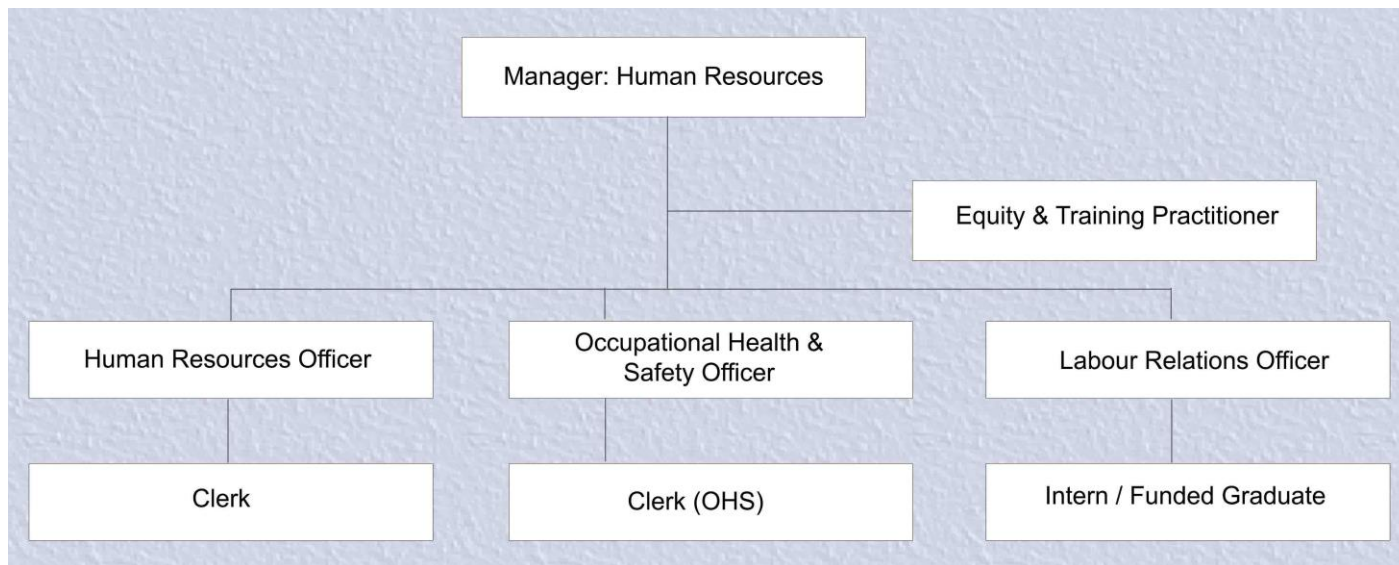
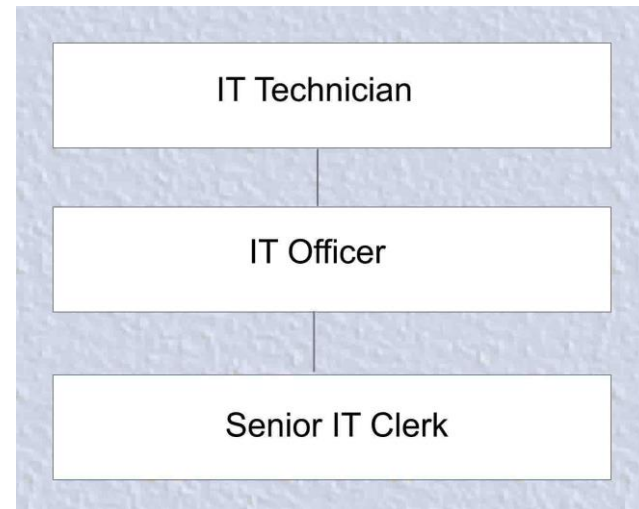
Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
																	veable assets	
		Update of asset register	Regularity of updates on the Asset Register	12 (monthly)	3 (monthly)	3	3 (monthly)	3	3 (monthly)	3	3 (monthly)	3	12 (monthly)	ACHIEVED Copies of the report presented as evidence	12	12	Regularity of updates on the Asset Register	12
		Review of key financial management policies	Number of financial management policies reviewed	8							8	8	8	ACHIEVED The policies are annually reviewed during the Budget process. Copies of the policies and Council resolution submitted as evidence	8	8	Number of financial management policies reviewed	8
		Reconcile the VAT Control Account	Number of reconciliations	12	3	3	3	3	3	3	3	3	12	ACHIEVED The function was outsourced. Reports from the service provider serves as evidence	12	12	Reconcile the VAT Control Account	12
		Submission of VAT	Number of returns before or on the	12	3	3	3	3	3	3	3	3	12	ACHIEVED The function was outsourced. Reports from the	12	12	Reconcile the VAT	12

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		returns to SARS	25 th of each month for the previous month											service provider serves as evidence			Control Account	
		Expenditure	Clearance and reconciliation of the salary suspense account	12	3	3	3	3	3	3	3	3	12	ACHIEVED Monthly reports submitted as evidence	12	12	Clearance and reconciliation of the salary suspense account	12
		Suspense Accounts	Monthly Clearance of Suspense Accounts	New	3	3	3	3	3	3	3	3	12	ACHIEVED Monthly report submitted as evidence	12	12	Monthly Clearance of Suspense Accounts	12
		Salary and expenditure reports	Salary reports Creditors reports	12 Salary reports 12 creditors reports	3 salary, 3 creditors	3 salary, 3 creditors	3 salary, 3 creditors	3 salary, 3 creditors	3 salary, 3 creditors	3 salary, 3 creditors	3 salary, 3 creditors	3 salary, 3 creditors	3 salary, 3 creditors	ACHIEVED Refer to Fin 46	12 salary, 3 creditors	12 salary, 3 creditors	Salary and expenditure reports	12 salary, 3 creditors
		Reconciliation of loans	Number of reconciliations	12	3	3	3	3	3	3	3	3	12	ACHIEVED Copies of reports submitted as evidence	12	12	Number of reconciliations	12

Component H: Institutional Development

Figure / Table 3.64: Organogram





Institutional Transformation and Organisational Development

IDP Priority 6:	Institution Building
Strategic Objective:	To facilitate institutional transformation and development in the Nketoana local municipality
Outcomes:	• The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan; • Annual review of the organizational structure; and • Skills development targets in the municipal Skills Development Plan • Compilation of an HR Strategy and an Integrated Institutional Plan • Wellness center for employees
Vote:	Finance and Admin
Sun-function:	Human Resources and Other Admin

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Municipal Institutional Development and Transformation
IDP Priority:	Institution Building
Vote/Function:	Finance & Admin, Human Resources

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To facilitate institutional transformation and development in the Nketoana local municipality	Number of people from employment equity target groups employed in the three highest levels of management	Compliance with the targets in the Employment Equity Plan	Please consult the EQP, available from the Corporate Services Manager	8 Female interns	8 Female interns						8 Female interns	Refer to targets from the EQP for 2015/16 below	ACHIEVED Inters taken in were mostly female to adhere to the EEP required Gender balance.	-	-	8 Female interns	8 Female interns
		An HR Strategy developed	Number of HR Strategies developed	New							1	1	1	ACHIEVED Developed and a draft available. Council still has to approve it.	1	0	Number of HR Strategies developed	1
		465 officials and councilors to be trained	Number of people trained	132							145	42	145	ACHIEVED Only 42 people could be trained. It was only done with SETA funding Trainee list available as evidence	175	152	Number of people trained	145
		1 employee satisfaction survey conducted	Number of employee satisfaction surveys conducted	0					1	0			1	NOT ACHIEVED Due to financial constraints the survey could not be done. However, assistance was obtained from the BATHO PELE section of COGTA and the	1	0	Number of employee satisfaction surveys conducted	1

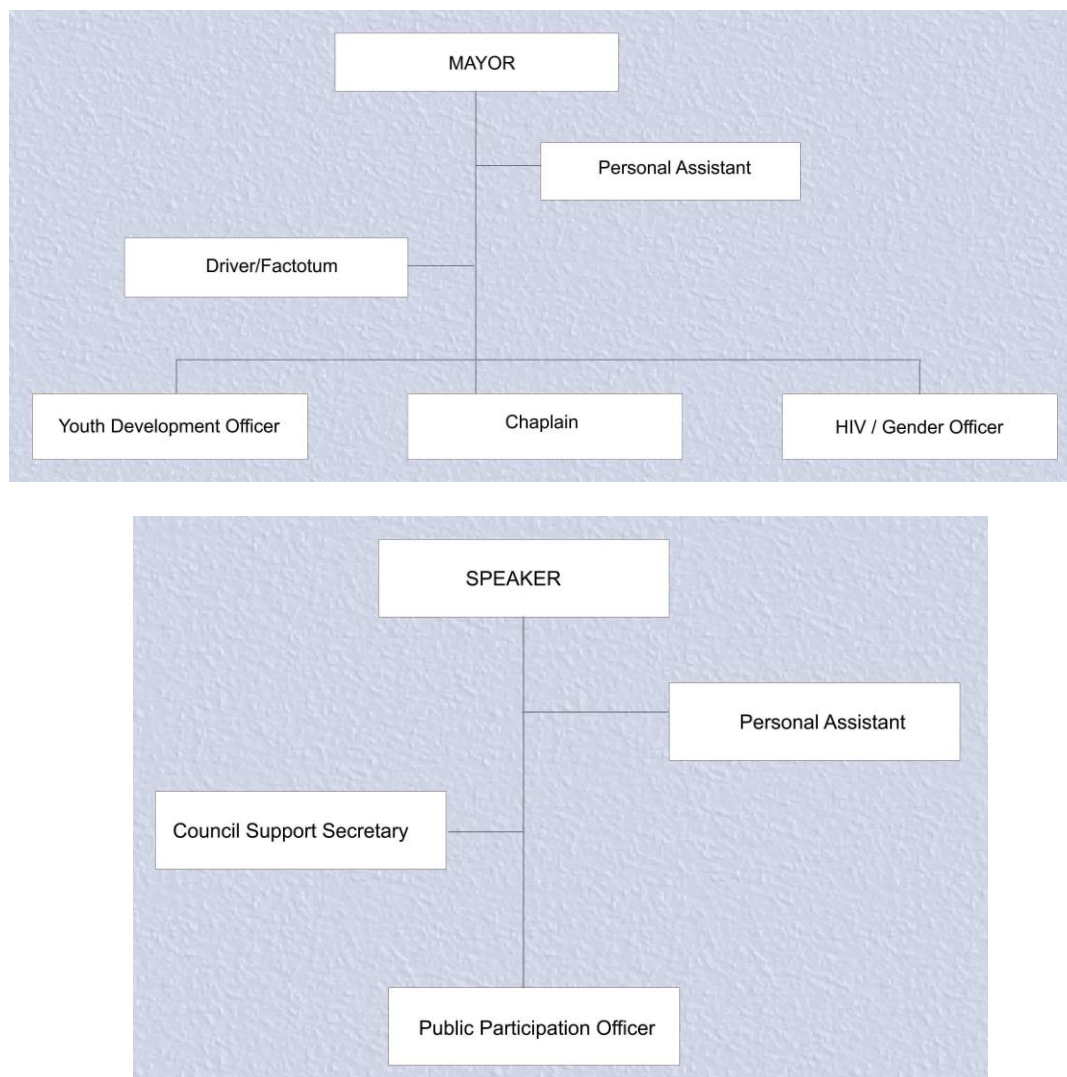
Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														survey will be held by them in the coming financial year.				
		1 Review of the Skills Development Plan	Number of Skills Development Plans reviewed annually	1					1	1			1	ACHIEVED The Skills Development Plan was developed and submitted on time. Acknowledgement of the submitted plan presented as evidence	1	1	Number of Skills Development Plans reviewed annually	1
		Manage records effectively and efficiently	System migration from manual to electronic recordkeeping	New							1	0	1	NOT ACHIEVED There is no progress in this regard due to financial constraints. Assistance was requested from COGTA. Due to the running mSCOA project they will be able to assist in this regard.	1	0	System migration from manual to electronic recordkeeping	1
		Employee medical surveillance programme	Number of employee medical surveillance programmes conducted	New			1	1			1	1	2	ACHIEVED Although no medical surveillance campaigns could be conducted due to the financial constraints, an alternative was sought. An agreement was reached with the	2	2	Number of employee medical surveillance programmes	2

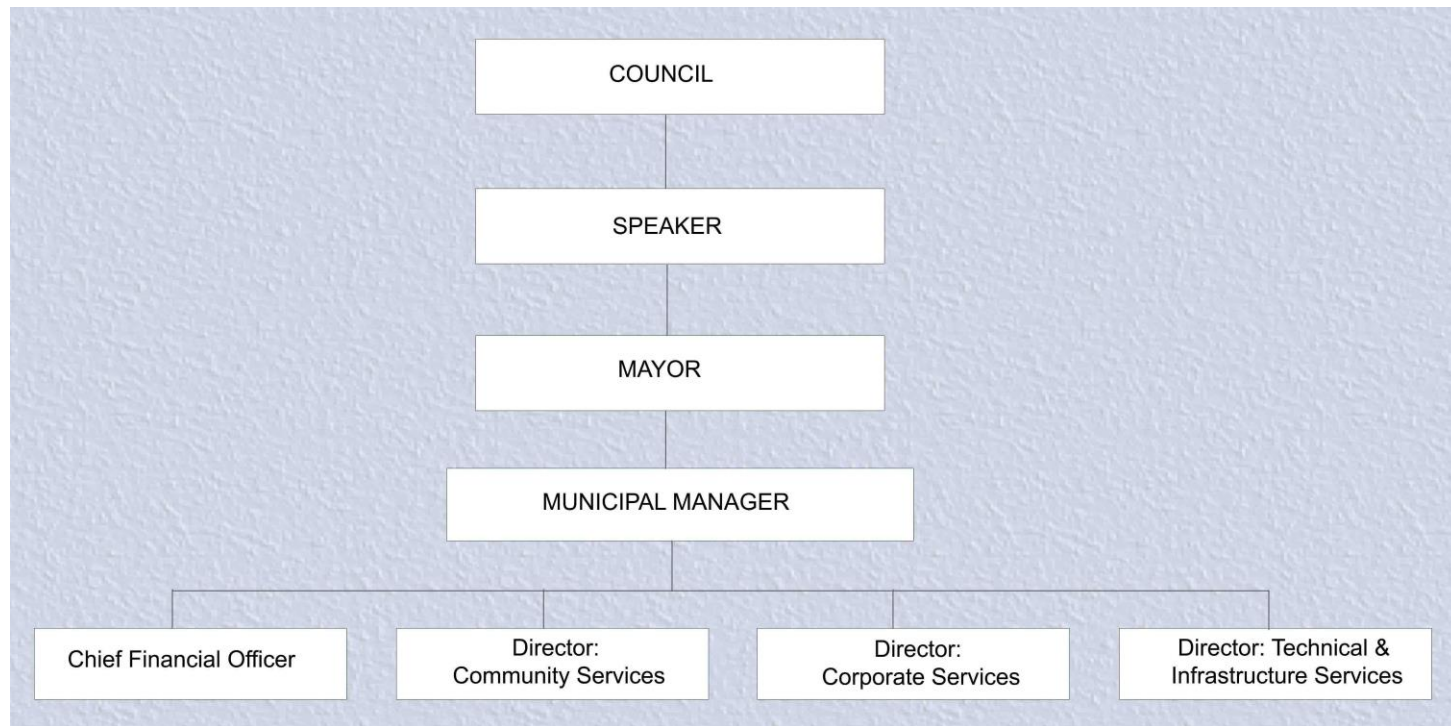
Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														Primary Health Clinics in all units to do the necessary consultations on the employees.			conducted	
		Annual review of the organizational structure	Number of organizational structures reviewed	1							1	1	1	ACHIEVED The Organizational Structure was reviewed. A copy of the document serves as evidence	1	1	Number of employee medical surveillance programmes conducted	1
		<i>Employee wellness center renovated and equipped according to the requirements of the contract documentation and project specifications</i>	Number of projects completed according to quality and quantity specifications	New			1	0					1	NOT ACHIEVED This project should be funded out of own funds and due to the financial constraints in the municipality it could not be executed.	1	0	Number of projects completed according to quality and quantity specifications	1
		Upgrading of municipal	Number of projects	New							1	0	1	NOT ACHIEVED Due to financial constraints it	1	0	Upgrading of	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		offices in Leratswana	completed according to quality and quantity specifications											could not be done. However, the need for other office space in Leratswana is very urgent and this matter will be move to the coming financial year as a urgent priority			municipal offices in Leratswana	

Component I: Governance

Figure / Table 3.65: Organogram





Good Governance & Public Participation

IDP Priority 6:	Institution Building
Strategic Objective:	To ensure good governance and public participation in the Nketoana local municipality
Outcomes:	• To ensure that the communities of Nketoana have access to structures and processes that promote engagement of the population in decisions that affect their access to basic services. • A proper functioning Council that determine the policy framework for development for the municipality; • Involving all sections of the Nketoana communities in the affairs of the municipality; • Arrangements to facilitate adequate accountability, communication and oversight by Council over the affairs of Management. • Mainstreaming of HIV/Aids, and attempts to create awareness in this regard, is an important element of the municipality's agenda. • Promote the interests of transversal groups • Consolidated attempts to improve the Auditor-General's opinion regarding the municipality's annual report; and • Compliance with legislation impacting on local government.
Vote:	Executive and Council Finance and Admin

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Good Governance and Public Participation
IDP Priority:	Institution Building
Vote/Function:	Good Governance and Public Participation

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure good governance and public participation in the Nketoana local municipality	Audit Committee established	Number of fully functional Audit Committees	1 (quarterly meetings)	1 Committee, 1 meetings	1	1 Committee, 1 meetings	1	1 Committee, 1 meetings	1	1 Committee, 1 meetings	1	1 Committee, 4 meetings	ACHIEVED Committee 4 meetings were held for the financial year	1 committee 4 meetings	1 committee 4 meetings	Number of fully functional Audit Committees	1 committee 4 meetings
		Evaluation of the performance of Directors	Number of evaluations performed	0			5	5			5	5	10	ACHIEVED 5 Informal and 5 Formal performance assessments were done. Minutes and attendance registers submitted as evidence	10	10	Number of evaluations performed	10
		Annual report compiled according to Treasury requirement	Number of annual reports compiled	1					1	1			1	ACHIEVED The Annual Report 2014/2015 was completed and approved by Council. The council resolution is submitted as evidence	1	1	Number of annual reports compiled	1
		Mid-Year Budget and Performance Report compiled	Number of mid-Year reports compiled				1	1					1	ACHIEVED The Mid-Year Performance Report was completed and approved by Council. Council resolution submitted as evidence as well	1	1	Mid-Year Budget and Performance Report	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														as a copy of the report			compiled	
		Number of IDP and Budget road shows	Number of road shows	2							2	2	2	ACHIEVED The IDP and Budget roadshows were conducted successfully. Attendance registers and copy of the presentation were submitted as evidence	2	2	Number of IDP and Budget road shows	2
		Establishment of a risk committee	Number of risk committees and number of meetings	New	1 Risk Committee, 1 meeting	0	1 meetings	0	1 meetings	0	3 meetings	1	1 Risk Committee 1 meeting per quarter = 4 Meetings	ACHIEVED 1 Risk Committee was established. However, only 1 meeting took place. It is envisaged that the Risk Committee will be fully functional in the coming financial year.	-	-	Number of risk committees and number of meetings of the Risk Committee	4
		Back to Basics / Outcome	Number of Back to Basics / Outcome reports	4	3		3		3		3		12	ACHIEVED The B2B reports were compiled and submitted to the Crack Team from COGTA	12	12	Number of Back to Basics / Outcome reports	12
		IDPs reviewed	Number of IDPs reviewed	1					1	1			1	ACHIEVED was reviewed	1	1	Number of IDPs	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														The IDP was reviewed, approved by Council and submitted to COGTA within the legislated timeframes.			compiled (New cycle, 4 th Generation)	
		SDBIPs compiled	Number of Municipal SDBIPs compiled	1							1	1	1	ACHIEVED The Municipal SDBIP was compiled and approved by the Mayor within legislated timeframes. It was also submitted to Council for their notice.	1	1	Number of Municipal SDBIPs compiled	1
			Number of Departmental SDBIPs compiled	5							5	5	5	ACHIEVED A departmental SDBIP was developed for each department and form the basis of the municipal SDBIP	5	5	Number of Departmental SDBIPs compiled	5
		Review of Performance Agreements and Plans of senior managers	Number of Performance Agreements / Plans reviewed	5							5	5	5	ACHIEVED Performance Agreements for the MM and 4 Directors were developed, signed and submitted to COGTA within the legislative timeframes. It was also tabled to Council for	5	5	Number of Performance Agreements / Plans reviewed	5

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														approval. Council resolution , copies of agreements were submitted as evidence				
	To ensure good governance and public participation in the Nketoana local municipality	Effective management of ward committees	Number of ward committee meetings per month per ward (9 wards)	1	1 = 27	0	1 = 27	0	1 = 27	0	1 = 27	0	108	ACHIEVED According to information received from the Ward Councilors, the meetings are held but there is a challenge to get proper records kept like minutes and attendance registers. An effort is going to be taken to get 2 members per Ward Committee trained to produce these records.	108	0	Number of ward committee meetings per month per ward (9 wards)	108
			Number of ward plans reviewed and updated	9							9 (one per ward)	9	9 (one per ward)	ACHIEVED A plan per ward was developed. However, the plans need to be reviewed to be ready for the new IDP cycle for 2017/2022	9	9	Number of ward plans reviewed and updated	9
		Promulgate 5 by-laws	Number of by-laws promulgated								5	0	5	NOT ACHIEVED. The documents were developed but Council's	5	5	Number of by-laws promulgated	5

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														approval is awaited			ulgate	
		7 Policies approved	Number of policies	13							7 Reviewed	7	7	ACHIEVED Only 2 policies were approved. The other are still only available as drafts	13	13	Number of policies developed and or reviewed	7
		Effective administrative management and internal controls	Number of departmental meetings conducted as scheduled (section 79 meetings)	12	3	3	3	3	3	3	3	3	12	ACHIEVED The meetings are held according to the schedule. Copies of the attendance registers and minutes are submitted as evidence.	12	12	Number of departmental meetings conducted as scheduled (section 79 meetings)	12
		Compliance with timeframes in respect of the delivery of notices for meetings	Hours before a meeting for Agendas to be delivered ; in...	48 hours	48 hours	48 hours	48 hours	48 hours	48 hours	48 hours	48 hours	48 hours	48 hours	ACHIEVED A copy of the register in which Councilors sign for the documents is submitted as evidence	48 hours	48 hours	Hours before a meeting for Agendas to be delivered;	48 hours
			100% of instances of Council	100% (1 scheduled	(1 scheduled meeting	(1 scheduled meeti	(1 scheduled meeti	(1 scheduled meeting	(1 scheduled meetin	(1 scheduled meeting	(1 scheduled meetin	(1 scheduled meetin	(1 scheduled meeting	ACHIEVED Copies of the attendance registers as well	(1 scheduled meetin	(1 scheduled meetin	100% of instances	(1 scheduled meeti

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
			and Exco meetings	meeting, and unscheduled ones when and as required)	, and unscheduled ones when and as required)	ng, and unscheduled ones when and as required)	ng, and unscheduled ones when and as required)	, and unscheduled ones when and as required)	g, and unscheduled ones when and as required)	, and unscheduled ones when and as required)	g, and unscheduled ones when and as required)	g, and unscheduled ones when and as required)	, and unscheduled ones when and as required)	as letter of apology when absent serve as evidence.	g, and unscheduled ones when and as required)	g, and unscheduled ones when and as required)	of Council and Exco meetings	ng, and unscheduled ones when and as required)
		Additional office space for personnel	Number of additional buildings obtained	New							1	0	1	NOT ACHIEVED Due to financial constraints this project could not be done.	1	0	Number of additional buildings obtained	1
		Number of municipal farms to be fenced (Ntha and Brandhoek farm – 1,5kms; Langspruit border in the east of Reitz: 2kms)	Number of farms and km of fencing	New			Ntha and Brandhoek farm – 1,5kms				Langspruit border in the east of Reitz: 2kms		Ntha and Brandhoek farm – 1,5kms; Langspruit border in the east of Reitz: 2kms	ACHIEVED 1 km of fencing was completed. Due to financial constraints 3.5km could not be completed. The project will be completed in the coming financial year	-	-	Number of farms and km of fencing	1.5 km
	To ensure good governance and public participation in the	Effective administrative management and internal controls	Number of departmental meetings conducted as	12	3	3	3	3	3	3	3	3	12	ACHIEVED Minutes and Agendas submitted as evidence	12	12	Number of departmental meetings	12

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	Nketoana local municipality		scheduled (section 79 meetings)														conducted as scheduled (section 79 meetings)	

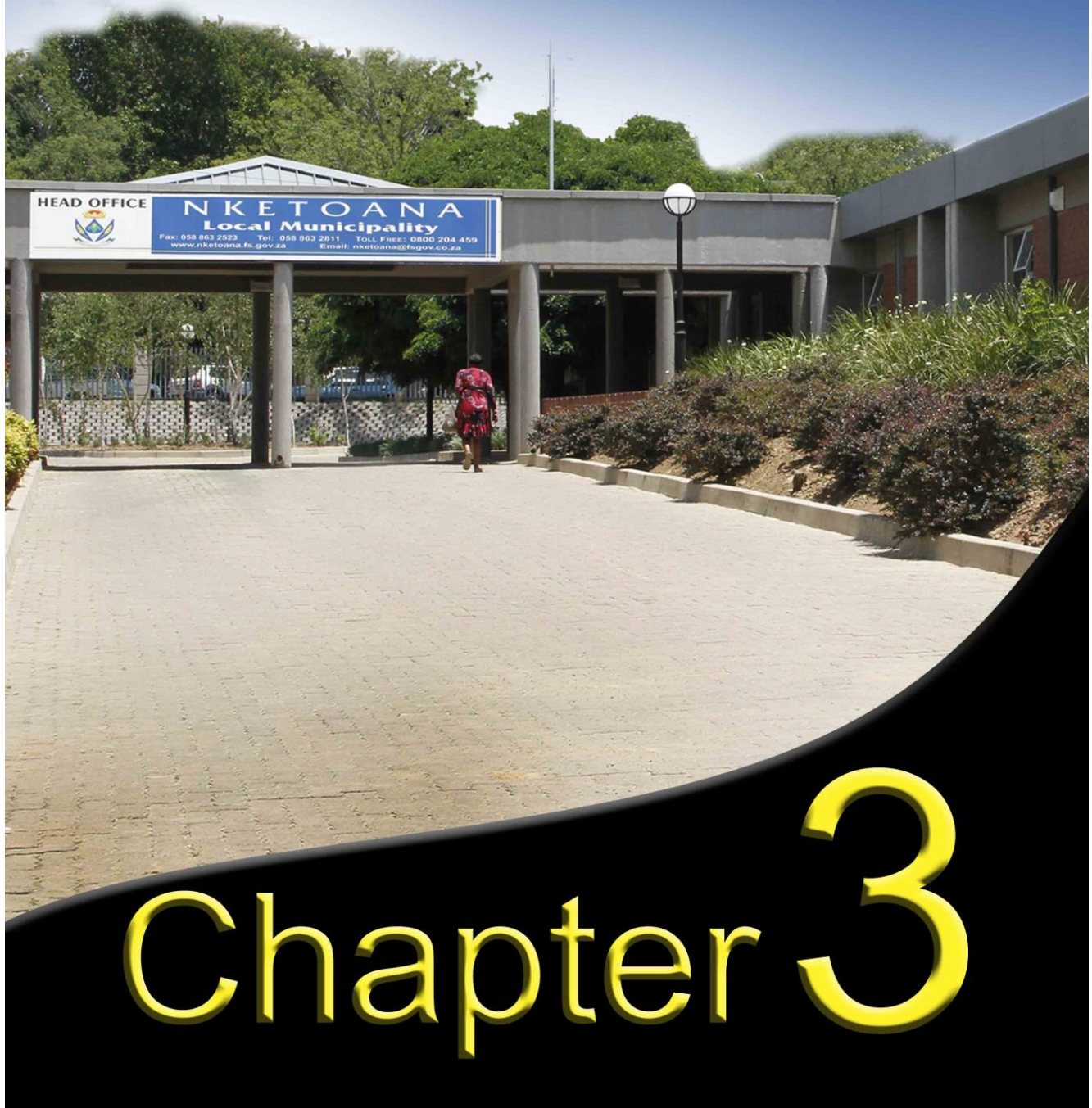
OTHER

Due to capacity constraints, the municipality is not currently in a position to give practical effect to the following predetermined objectives on its IDP, and these were therefore not transferred to the 2012/13 SDBIP:

Performance Area	Objectives
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT Community Services Environmental Health Ecological Integrity and protection of Biodiversity	To identify and develop new and existing environmental conservation areas or reserves
	To manage negative impacts of development activities

Performance Area	Objectives
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT Community Services Environmental Health Environmental capacity building, awareness and empowerment GOOD GOVERNANCE Corporate Services	• To promote compliance to environmental legislation • To ensure that pollution (air, water, soil and noise) are minimized to acceptable national standards in order to preserve the environment and natural resources • Increase awareness through educating communities about environmental issues and how to preserve the environment • Develop and establish good governance that is transparent and accountable.
RURAL DEVELOPMENT Community Services	Develop a database of services and facilities available in the rural areas of each ward to determine need

Service Delivery Performance



Chapter 3 – Service Delivery Performance

Challenges in terms of Service Delivery

- **Office of the Municipal Manager**
 - The PMS is well accepted by senior management but must now be cascaded down to lower levels of employment to experience the full benefit of a fully implemented PMS.
 - In the compilation/review of the IDP, Public Participation is always a challenge and the commitment of Council to this process is needed. The lack of several master plans in the municipality has a serious impact on the reliability assessment of the IDP.
- **Department Corporate Services**
 - Some critical, vacant posts remain unfilled.
 - Not all employees were given training.
 - Limited EAP
- **Department Community Services and LED (policies reviewed and new policies develop)**
 - Shortage of staff
 - Operating fleet not in working conditions
 - Shortage of tools, machinery and equipment
 - Shortage of dustbins for households
 - Funding that has been reduced for upgrading of sports facilities.
 - Finalization of Port Arlington township establishment
 - Acquisition of a Cemetery software
 - Late or non-funding of approved projects(impact: Consistency with SDBIP)
 - Lack of human/capital resource to implement the sector plans
 - Lack of by-laws
 - Non-availability of a credible SDF
 - Non-availability of a Transport Master Plan
 - Under-budgeting
 - Investor confidence caused by water and electricity capacity
 - Lack of marketing strategy
 - Lack of business skills
 - Lack of research skills
 - Lack of synergy between the departments in addressing women and youth economic development
- **Department Technical Services**
 - Water and Sanitation
 - Lindley clean water reservoir is leaking. The consultant was appointed for assessment.
 - Meintjies clean water reservoir is leaking; a quotation will be obtained from Gertuck to fix this reservoir.

- The Reitz Waste Water Treatment Works is overloaded, the plant is unable to treat the amount of waste water inflow.
- The department is short-staffed; as a result, there is a delay in executing most of the planned projects.
- The department has a shortage of vehicles, which forces other teams to share vehicles.
- There is a delay in purchasing of material, which is affecting the service delivery.
- There is high water demand in Reitz; as a result the reservoirs are no longer getting full.
- Most of toilets in Petsana are leaking; which is resulting in serious water loss.
- Electricity and Mechanical
 - 81 of 145 infill sites could not be electrified during Phase 3 Electrification of Ntha Ext.5 as their owners did not occupy them.
 - Ageing Electricity Infrastructure needing upgrading and refurbishment
 - Meter tempering resulting in Distribution losses
 - Shortage of Qualified Personnel (Electricians and Mechanics).
- Roads and Stormwater
 - Delays in Procurement of Vehicle Parts.
 - Shortage of qualified Mechanics.
 - Transport – trucks needs tyres, roadworthy and license fees to be paid; Requests were handed in for approval and purchases,
 - Bulk materials in process of buying.(Requests handed in)
 - Consider hiring of yellow fleet for gravelling program.
 - Labour intensive – not enough labour to perform as required.
 - Require EPWP workers temporary.
 - Lack of internal and external funding due to financial restrains.
 - Apply for funding at District Council and MIG
 - In need of pedestrian vibrating roller, 3 x plate compactors and 2 x tamper rammers; Requests handed in for approval of purchases.
- **Department Financial Services**
 - Increasing collection rate
 - Implementing full credit control and debt collection on the areas supplied by Eskom

Future Actions

Our immediate future priorities to improve our services will be as follows:

- **Office of the Municipal Manager**
 - Develop Service Standards for all services rendered in 2016/2017 financial year
 - Cascading down of the PMS to lower level officials
- **Department Corporate Services**

- Fill in critical posts.
- Provide training to staff as per WSP.
- Arrange for the approval of policies.
- Provide employees with necessary protective clothing.
- Ensure compliance with policies, legislation and collective agreements.

- **Department Community Services and LED**
 - Present municipal by-laws to the public for final adoption by council
 - Cascading of performance management plans to the middle management

- **Department Technical Services**
 - Tools were ordered.
 - Transformers were requested.
 - Request for Service provider with Suitable Crane was made
 - Councilors to encourage site owners to occupy their site for Electricity provision.
 - Source funds from DoE to upgrade ageing Infrastructure.
 - Source funds for smart metering to prevent meter tempering or Appoint Professional Service provider for extensive Meter Auditing.
 - Permanently Appoint Qualified Electricians and Mechanics.

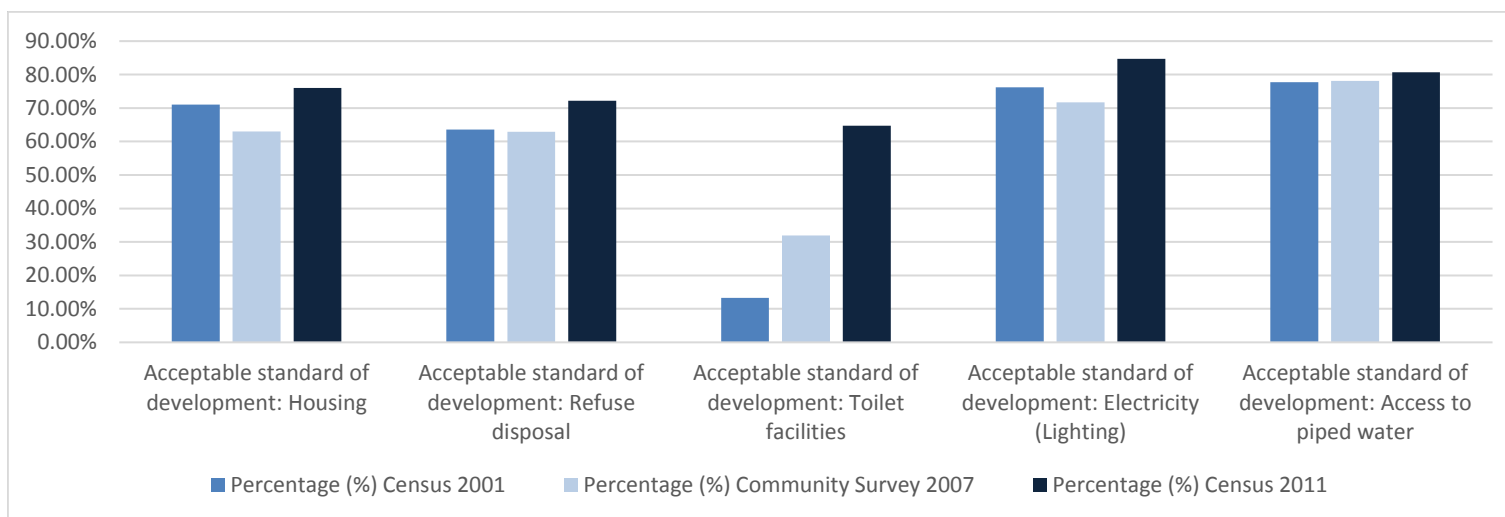
- **Department Financial Services**
 - Continuous visits to locations to urge people to pay

Component A: Basic Services

If the results of Census 2001 are compared with those of the 2007 Community Survey, the progress that the Municipality has made with service delivery in respect of ensuring access to key basic services are evident:

Figure / Table 3.1: Performance in terms of basic services

Performance Indicator: Basic Services	Percentage (%)		
	Census 2001	Community Survey 2007	Census 2011
Acceptable standard of development: Housing	71.00%	63.00%	76.00%
Acceptable standard of development: Refuse disposal	63.60%	62.90%	72.20%
Acceptable standard of development: Toilet facilities	13.30%	31.90%	64.70%
Acceptable standard of development: Electricity (Lighting)	76.20%	71.70%	84.70%
Acceptable standard of development: Access to piped water	77.70%	78.10%	80.70%

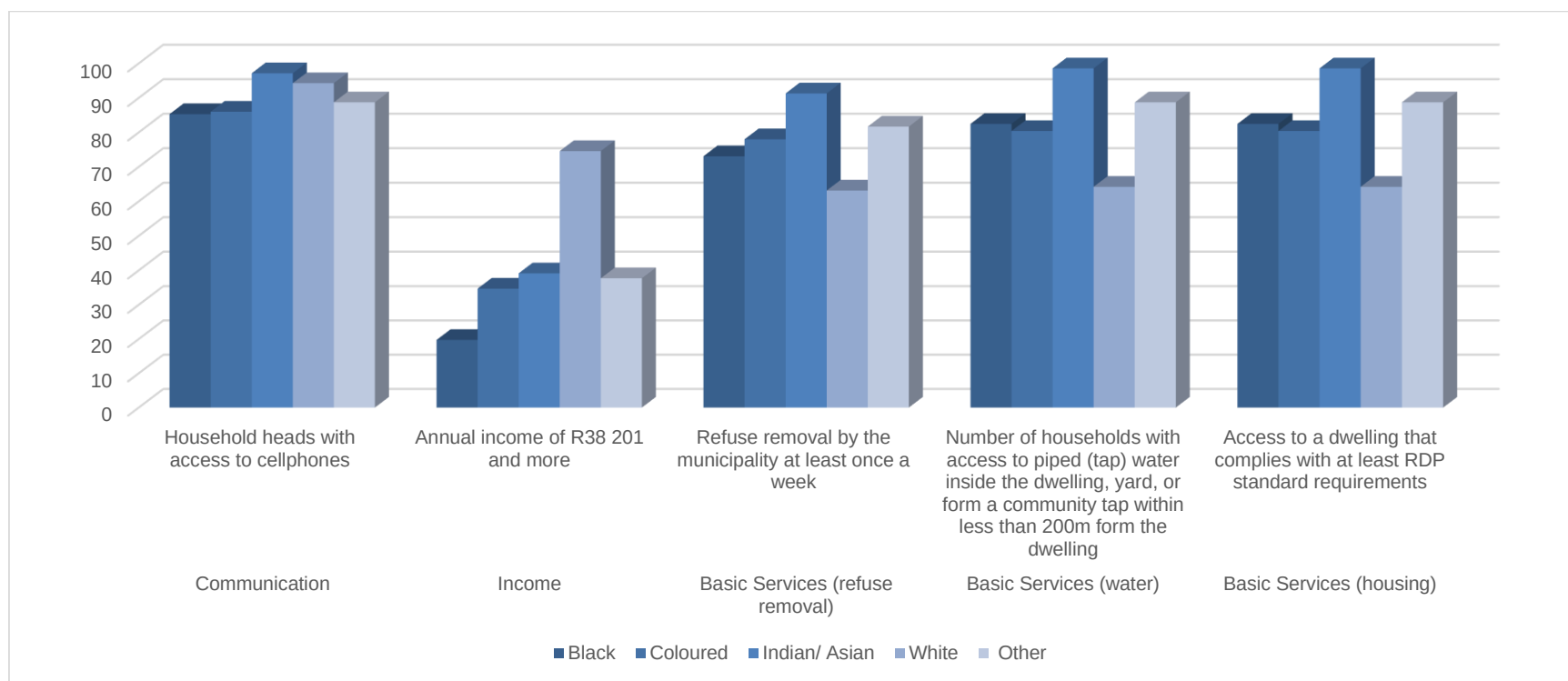


(Source: Census 2001, Community Survey, 2007 and Census 2011)

If a comparative analysis based on a number of key development indicators is done (see Figure below) it is clear that the main development gap in the Nketoana area of jurisdiction is still primarily in among the African and Coloured population groups.

Figure / Table 3.2: Access to basic services (profile)

Area	Standard Indicator	Black	Coloured	Indian/ Asian	White	Other
Communication	Household heads with access to cellphones	85.3	86	97.14	94.26	88.71
Income	Annual income of R38 201 and more	19.73	34.69	39.13	74.57	37.71
Basic Services (refuse removal)	Refuse removal by the municipality at least once a week	73.08	78	91.3	63.14	81.67
Basic Services (water)	Number of households with access to piped (tap) water inside the dwelling, yard, or form a community tap within less than 200m form the dwelling	82.45	80.39	98.55	64.22	88.71
Basic Services (housing)	Access to a dwelling that complies with at least RDP standard requirements	82.45	80.39	98.55	64.22	88.71

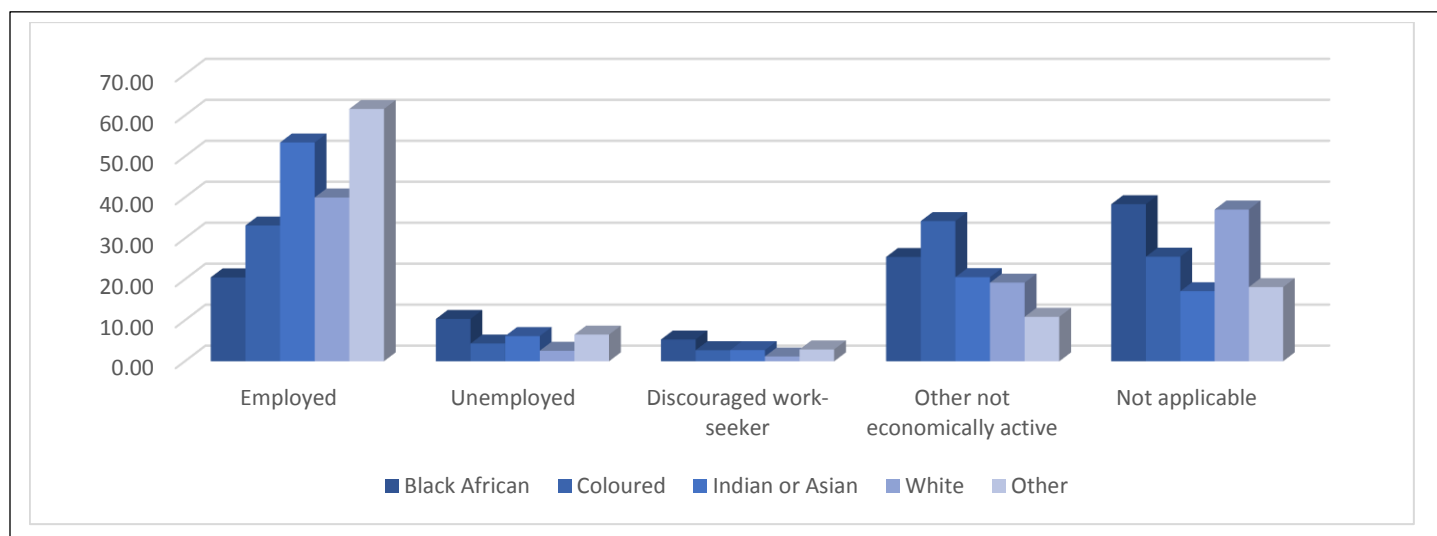


(Source: Census 2011)

Figure / Table 3.3: Official employment status according to Population

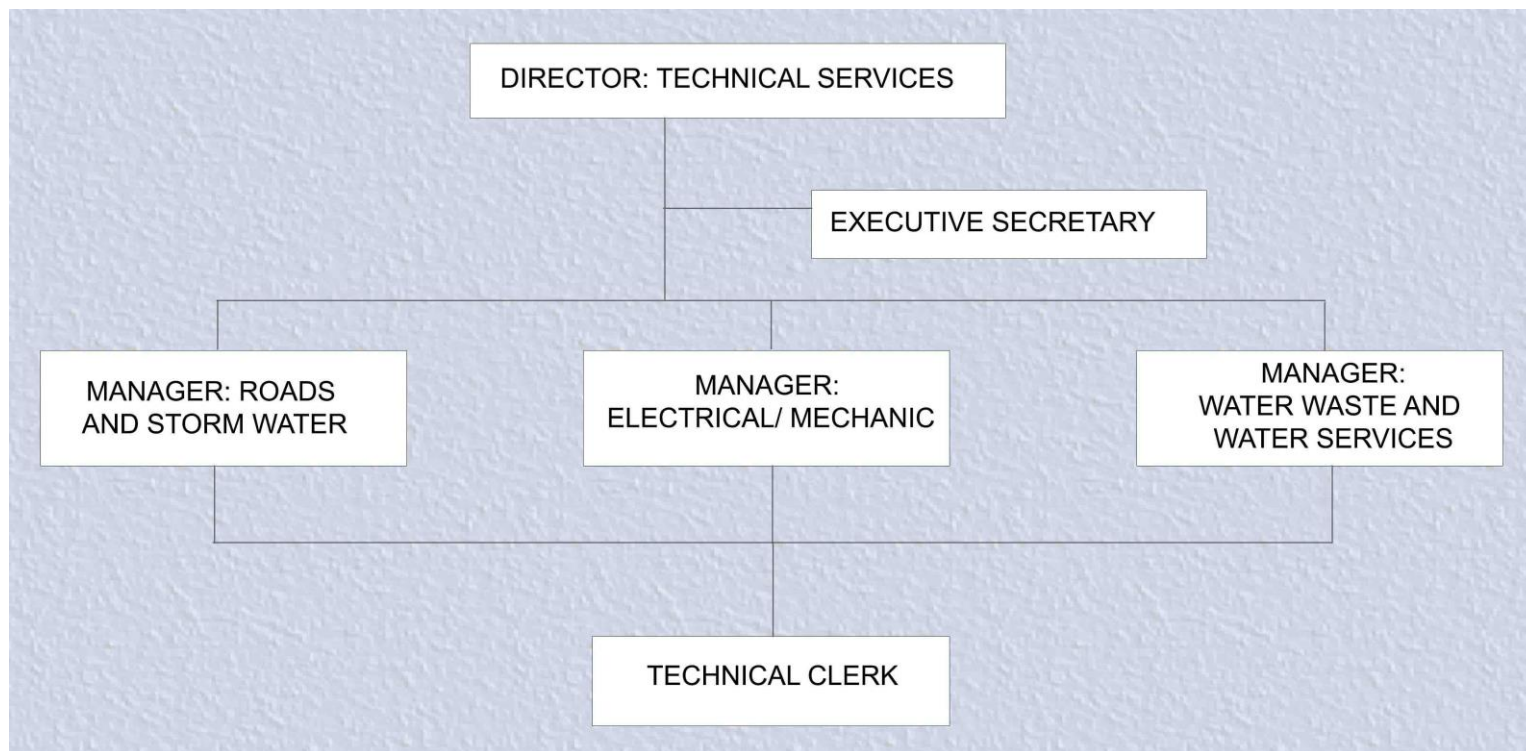
Per Person							As %					
	Employed	Unemployed	Discouraged work-seeker	Other not economically active	Age less than 15 years	Not applicable		Employed	Unemployed	Discouraged work-seeker	Other not economically active	Not applicable
Black African	11301	5708	2939	14052	-	21154	Black African	20.49	10.35	5.33	25.48	38.35
Coloured	61	8	5	63	-	47	Coloured	33.15	4.35	2.72	34.24	25.54
Indian or Asian	78	9	4	30	-	25	Indian or Asian	53.42	6.16	2.74	20.55	17.12
White	1880	121	55	903	-	1742	White	39.99	2.57	1.17	19.21	37.06
Other	85	9	4	15	-	25	Other	61.59	6.52	2.90	10.87	18.12

Official employment status according to Population as %



(Source: Census 2011)

Figure / Table 3.4 : Organogram



3.1 Water Provision

2.2.1 Statistical Overview

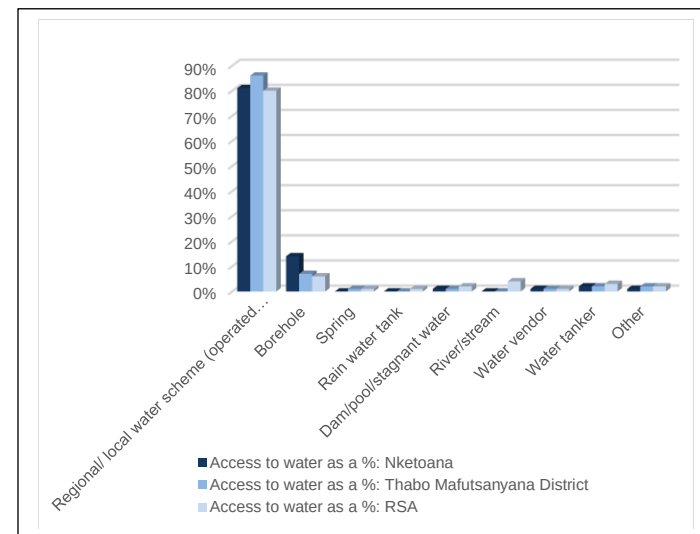
Figure / Table 3.5: Analysis of Access to Water: 2001, 2007, 2011

	Census 2001	CS 2007	Census 2011
Piped water inside the dwelling / Piped water inside the yard	77.7%	78.1%	80.7%
from access point outside the yard	19.6%	15.9%	0.0%
Borehole	0.6%	5.7%	14.3%
Spring	0.1%	-	0.2%
Dam / pool	0.5%	-	0.6%
River / stream	0.2%	-	0.1%
Water vendor	0.1%	0.1%	0.6%
Rainwater tank	0.4%	-	0.3%
Other	0.8%	0.2%	2.6%
Total	100.0%	100.0%	100.0%

(Source: Stats SA)

Figure / Table 3.6: Access to water: Nketoana, Thabo Mafutsanyana and RSA

	Nketoana	Access to water as a %: Nketoana	Thabo Mafutsanyana District	Access to water as a %: Thabo Mafutsanyana District	RSA	Access to water as a %: RSA
Regional/ local water scheme (operated by municipality or other water services provider)	13983	81%	188662	86%	11519312	80%
Borehole	2475	14%	14783	7%	881495	6%
Spring	33	0%	1317	1%	178799	1%
Rain water tank	52	0%	724	0%	141475	1%
Dam/pool/stagnant water	101	1%	1972	1%	225181	2%
River/stream	22	0%	566	0%	651246	4%
Water vendor	104	1%	1458	1%	176425	1%
Water tanker	440	2%	4549	2%	376423	3%
Other	108	1%	3853	2%	299806	2%
Not applicable			-		-	



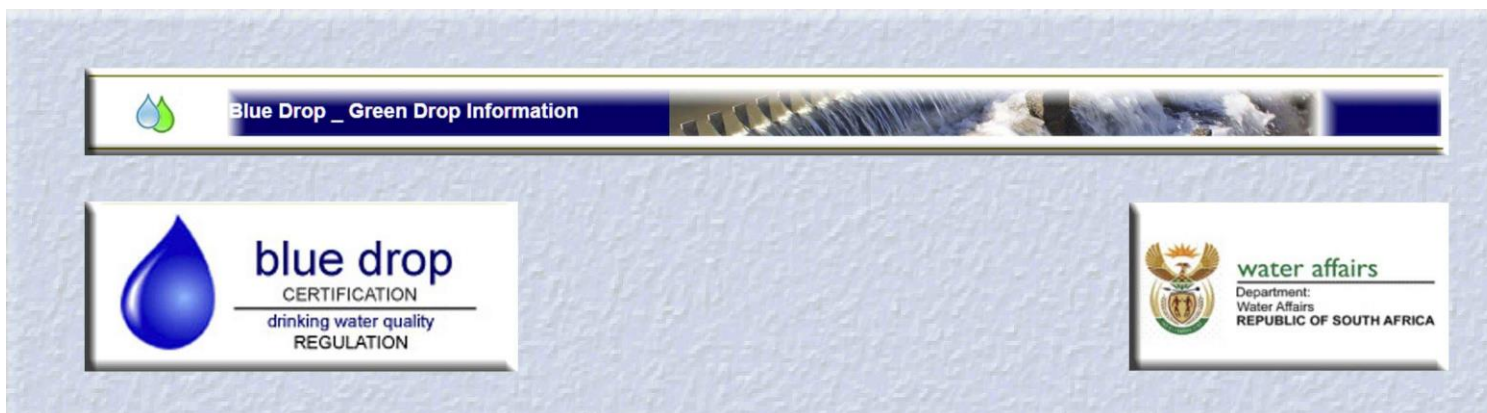
(Source: Stats SA)

Figure / Table 3.7: Access to water according to category and per ward

	Regional/local water scheme (operated by municipality or other water services provider)	Borehole	Spring	Rain water tank	Dam/pool/stagnant water	River/stream	Water vendor	Water tanker	Other
FS193: Nketoana	13983	2475	33	52	101	22	104	440	108
Ward 1	1503	399	6	5	3	-	4	8	-
Ward 2	1856	3	1	1	-	-	1	-	7
Ward 3	1937	187	1	-	-	2	7	15	24
Ward 4	1317	349	4	-	5	1	10	64	13
Ward 5	1197	398	3	26	14	9	10	76	20
Ward 6	999	670	9	9	57	5	18	97	7
Ward 7	1416	465	9	8	19	5	41	143	7
Ward 8	1492	1	-	1	2	-	6	17	3
Ward 9	2267	3	-	-	1	-	7	21	26

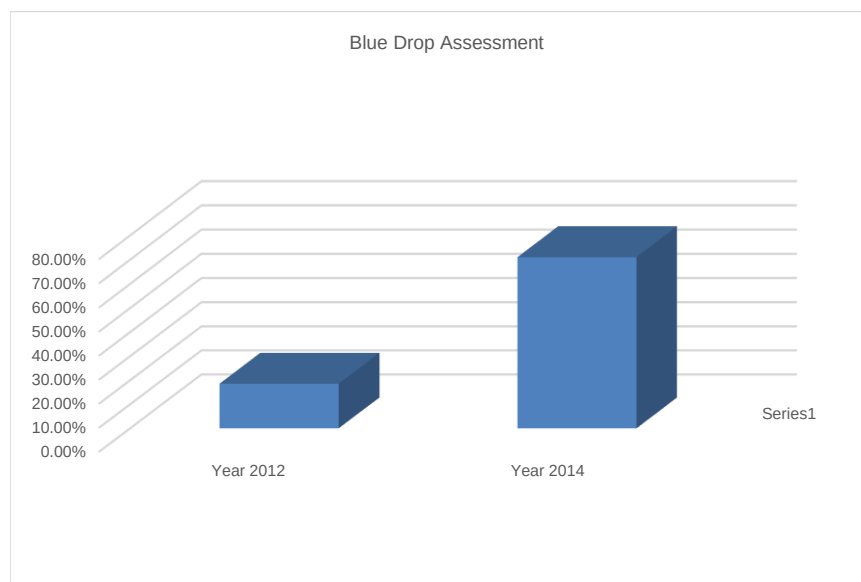
(Source: StatsSa, Census, 2011)

Figure / Table 3.8: Blue drop assessment results, 2014 (Published 2016)



Nketoana Municipality:

2012	2014
18.57 %	71%

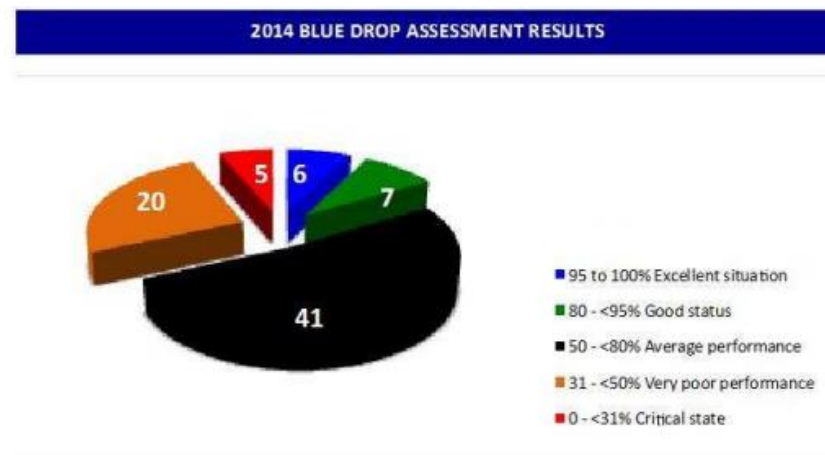


Free State Province:

FS Provincial Blue Drop Certified systems

BLUE DROP CERTIFIED SYSTEMS				
2014 Log position	Blue Drop certified system	Blue Drop score	Water Services Authority	Water Services Provider
1	Makwane	97.90%	Maluti-a-Phofung Local Municipality	Maluti-a-Phofung LM, MAP Water
2	Fika Patso	97.65%	Maluti-a-Phofung Local Municipality	Maluti-a-Phofung, MAP Water
3	Harrismith	97.56%	Maluti-a-Phofung Local Municipality	Maluti-a-Phofung, MAP Water
4	Virginia	97.27%	Matjabeng Local Municipality	Sedibeng Water
5	Ventersburg	95.11%	Matjabeng Local Municipality	Sedibeng Water
6	Hennenman	95.01%	Matjabeng Local Municipality	Sedibeng Water

Maluti-a-Phofung Local Municipality together with Map water as WSP is the best performing municipality in the Province with an overall BD score of 97.66% followed by Matjabeng LM and Sedibeng Water, with a score of 93.60%. Nketoana Local municipality showed immense improvement from 19% in 2012 to 71% in 2014 whilst Phumelela LM also recorded a significant improvement, from 17.9% in 2012 to 61.3% in 2014. This is an outstanding achievement for both WSAs. It is disconcerting that Masilonyana and Mafube LMs performed poorly attaining BD scores of 30% and 29% respectively. The diagram below (Figure 4) shows the overall Provincial performance.

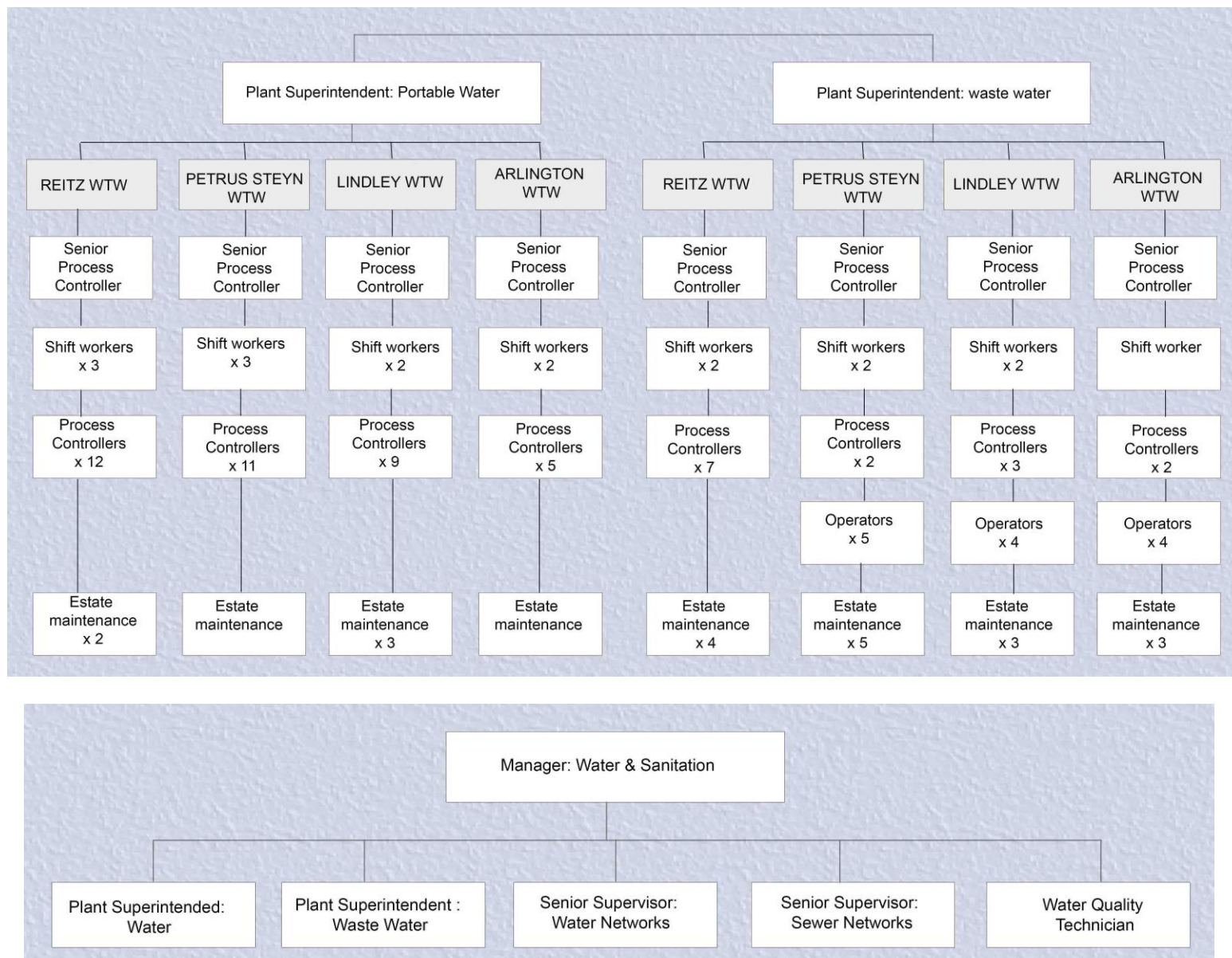


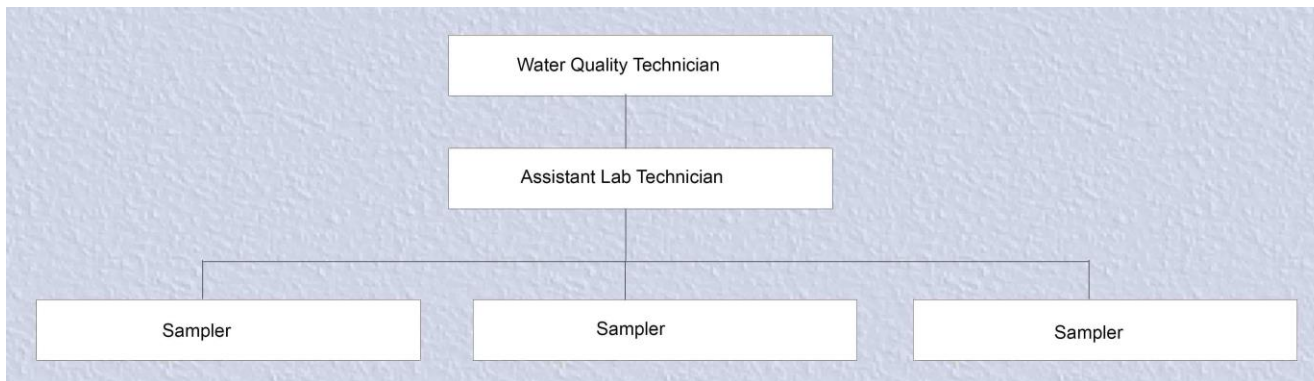
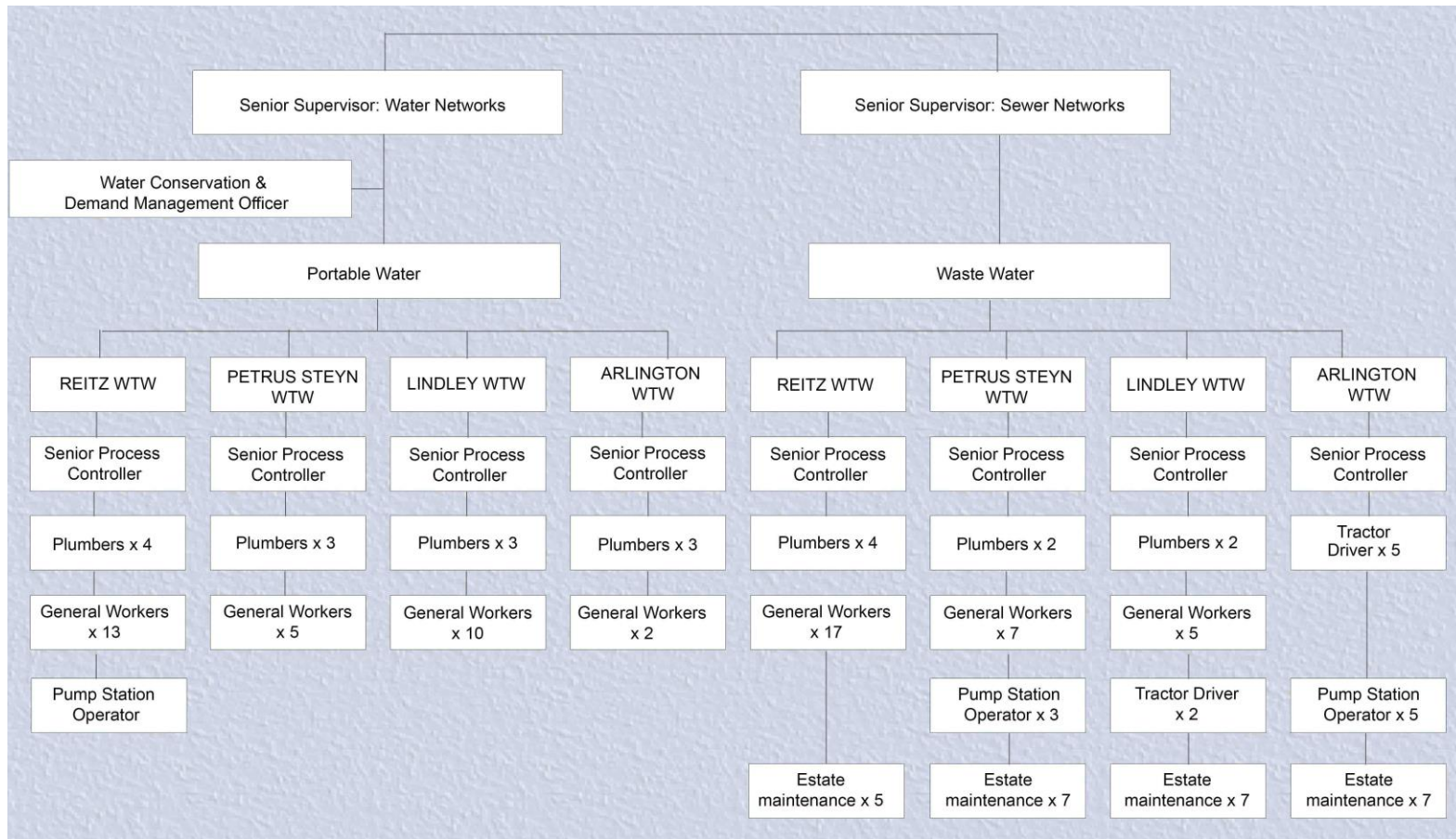
(Source: DWA, 2016)

Figure / Table 3.9: Situation Analysis: Water

<i>Status Quo:</i>	Blue drop status: 71% (Improvement from 18.57% in 2012 to 71% in 2014)
<i>Reitz/Petsana</i>	The water supply in Reitz/Petsana is stable with the exception of high lying areas in Petsana where they don't get steady supply during spring and summer seasons. 350 houses in ward 6 are still accessing water through communal taps.
<i>Mamafubedu</i>	The water supply in Mamafubedu is unstable due to drought. Water is opened for eight (08) hours per day i.e. from 13h00 to 21h00. Water to New sites (ward 1) is supplied by water tankers
<i>Lindley/Ntha</i>	The water supply in Lindley/Ntha is unstable due to drought. Water is opened for four (04) hours per day i.e. from 16h00 to 21h00.
<i>Arlington/Leratswana</i>	The water supply in Arlington/Leratswana is unstable due to drought. Water is opened four three (03) hours per day i.e. from 16h00 to 20h00.
<i>Rural Areas:</i>	Water is delivered to farms by water tankers as and when requested.
<i>Other priority issues:</i>	
<i>Number/percentage of households without access at all and with below standard access and with access</i>	• None
<i>Indicate all areas or settlements without access in terms of the basic service standards and provide reasons for lack of service</i>	• None
<i>Indicate all areas or settlements with an unreliable service and provide reasons for this</i>	• None

Figure / Table 3.10: Organogram





Actual performance against SDBIP targets set for the 2013/14 Financial Year

IDP Priority 1:	Water
Strategic Objective:	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of water by 2014
Outcomes:	All (100% of) households in formal settlements having access to basic level of water by 2014. This includes 1,331 additional households provided with basic level of water (water connections) in Lindley and Petsana.
Department:	Technical Services
Vote:	Water
Sub-function:	Water Distribution

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

Key Performance Area:	Basic Service Delivery
IDP Priority:	Water
Vote/Function:	Water Infrastructure
Directorate:	Technical Services & Infrastructure Development

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure that 100% of households in formal settlements in the	14 000 households in formal urban areas, as defined	Number of households with access to at least RDP	14,000							14 000	14 000	14 000	ACHIEVED Statistics from Billing and Human Settlements sections	15 331	15 331	To ensure that 100% of household	14 000

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	Nketoana municipal area have access to basic level of water by 2016	in the IDP, have access to at least RDP level of potable water	level of water											submitted as evidence			s in formal settlements in the Nketoana municipal area have access to basic level of water by 2017	
		Ntha / Lindley New Water Purification Works	1 Project				1	1					1	ACHIEVED Project at 99% Snagging list. There are still items outstanding. Progress report as evidence. Hand over delayed due to outstanding items	1	1	Ntha / Lindley New Water Purification Works	1
		Boreholes: Equipping new boreholes in Lindley/Ntha	Number of boreholes to be equipped and fully functional	5			5	6					5	ACHIEVED Due to the dire need in Lindley 6 boreholes were sunk. All taps in Lindley ran dry.	11	0	-	-

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		Boreholes: Equipping new boreholes in Mamafubedu	Number of boreholes to be equipped and fully functional	New	5	10	10	2					15	ACHIEVED 12 boreholes were done. Priority was given to other units with no water.	15	0	-	-
		Boreholes: Equipping new boreholes in Arlington/Leratswana	Number of boreholes to be equipped and fully functional	1	1	3							1	ACHIEVED 3 boreholes were sunk.	1	0	-	-
		Upgrading of Reitz Purification Plant, RBIG	Capacity increase 1 Project	1			1	1					1	ACHIEVED The project 92% completed according to milestones in the tender document.	1	1	Upgrading of Reitz Purification Plant, RBIG	1 project
		Reitz to Mamafubedu Pipeline, 49km Phase 1 : 5km Phase 2 : 15km	15 km of 49 km	5km							Phase 2: 15km	11km	Phase 2: 15km	ACHIEVED 15km for this financial year is the target and progress is on 70%.	5km	5	Reitz to Mamafubedu Pipeline, 49km Phase 1 : 5km Phase 2 : 15km	25km
		Reitz water Treatment	1 Raw water pump	New							2= 1 Raw water	0	2= 1 Raw water	NOT ACHIEVE At this stage	-	-	Reitz water Treatment	2= 1 Raw water

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		nt Works: Upgrading of Raw water pump station and high lift pump station	station and 1 High lift Pump station to be completed								pump station and 1 High lift Pump station		pump station and 1 High lift Pump station	there is no progress. Water users license is awaited Consultant is posing challenges that can influence the progress of the project			ment Work s: Upgrading of Raw water pump station and high lift pump station	er pump station and 1 High lift Pump station
		Refurbishment of raw water pump station at Middelpunt Dam to ensure maximum abstraction capacity	Number of pump stations refurbished according to standards as specified in the tender document	New			2	0					2	NOT ACHIEVED The project is done out of own funds and at this stage only 30% Could be done. The project will continue into the next financial year	-	-	Number of pump stations refurbished according to standards as specified in the tender document	2
		Install 13 Communal taps in Petsana	Number of communal taps installed	20			5	5	5	5	3	3	13	ACHIEVED 13 done. There is also a National project where	20	20	Number of communal taps	10

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														739 houses were connected for bucket eradication			installed	
		Install 15 Communal taps in Mamafubedu ward 2	Number of communal taps installed	15			10	10			5	5	15	ACHIEVED 15 done There is also a National project where 960 houses were connected for bucket eradication 960 done Bucket eradication	15	15	Number of communal taps installed	10
		Installation of water meters in Petsana to enable accurate billing for services provided	Number of meters installed	New	350	350					150	0	500	ACHIEVED 350 for financial year installed				
	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of water by 2016	Construction of a 4ML reservoir in Mamafubedu	Number of reservoirs constructed	New							1	0	1	NOT ACHIEVED It is not yet done but it forms part of pipeline project	1	0	Number of reservoirs constructed	1

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of water by 2014	Completion and adoption of a legislative compliant Water Services Development Plan	Number of WSDPs developed and approved	Review	1						1	0	1	NOT ACHIEVED Due to lack of funds the WSDP could not be reviewed. However it needs to be reviewed urgently to be ready for the next generation of IDPs	1	0	Completion and adoption of a legislative compliant Water Services Development Plan	1
		Development of a Water and Sanitation Operations and Maintenance Plan	Number of Water Operation and Maintenance Plans developed	New							1	1	1	ACHIEVED The Plan was developed and it is available	1	0	Number of Water Operation and Maintenance Plans reviewed	1
	To ensure that 100% of households in formal settlements in the Nketoana municipal area have	Improve the blue drop assessment result of the municipality by a minimum of 10%	Percentage assessment score resulting from the blue drop evaluation process	18,79%	70%						70%	71%	70%	ACHIEVED A score of 71% was awarded during the assessment.	30%	30%	Number of Water Operation and Maintenance	80%

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	access to basic level of water by 2014																Plans developed	
	To ensure that 30 farms have access to water source by 2017	Farms provided with clean, potable water when required	Number of farming communities provided with water	4-8							4	4	4	ACHIEVED 4 farms were provided with water on request. Logbooks are presented as evidence	4-8	4	Number of farming communities provided with water	4-8
	To ensure that all (100%) of registered indigents have access to free basic water	All registered indigents have access to free basic water	Percentage of registered indigents having access to free basic water	100% (3,000 registered indigents)	100%		100%		100%		100% (6,000 households/registered indigents)		100% (6,000 households/registered indigents)	ACHIEVED 4773 is the final number of registered Indigents. A copy of the register is presented as evidence	3 000	4 000	Percentage of registered indigents having access to free basic water	6 000
		To conduct a War-on-Leaks Campaign in each town in the municipality to reduce water losses	Number of campaigns held reduce water losses	New	1	0	1	0	1	0	1	0	4	NOT ACHIEVED Department of Water Affairs and Sanitation provided training to a group of residents to be utilized in these campaigns. They will only	-	-	To conduct a War-on-Leaks Campaign in each town in the	4

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
														be functional in the coming financial year.			municipality to reduce water losses	

3.2 Waste Water (Sanitation) Provision

Figure / Table 3.11: Analysis of Access to Sanitation Facilities: 2001, 2007, 2011

	Census 2001	CS 2007	Census 2011
Flush toilet (connected b sewerage system)	10.6%	21.0%	57.0%
Flush toilet (with septic tank)	1.9%	6.2%	3.1%
Dry toilet facility	-	1.7%	2.1%
Chemical toilet	0.8%	3.0%	2.5%
Pit latrine with ventilation (VIP)	2.4%	21.0%	8.8%
Pit latrine without ventilation	15.3%	-	19.3%
Bucket latrine	54.6%	41.7%	2.1%
None	14.4%	5.4%	5.2%
Total	100.0%	100.0%	100.0%

(Source: StatsSA, 2001, 2007, 2011)



Figure / Table 3.12: Access to water: Nketoana, Thabo Mafutsanyana and RSA

Category	Nketoana	Access to Sanitation as a % Nketoana	Thabo Mafutsanyana District	Access to sanitation as a %: Thabo Mafutsanyana District	RSA	Access to water as a %: RSA
None	494	3%	6522	3%	748592	5%
Flush toilet (connected to sewerage system)	10584	61%	106603	49%	8242924	57%
Flush toilet (with septic tank)	608	4%	6435	3%	442481	3%
Chemical toilet	25	0%	3259	1%	360703	3%
Pit toilet with ventilation (VIP)	900	5%	21631	10%	1266102	9%
Pit toilet without ventilation	2377	14%	56190	26%	2786068	19%
Bucket toilet	1991	11%	13877	6%	297847	2%
Other	338	2%	3368	2%	305444	2%

(Source: StatsSa; Census 2011)

Figure / Table 3.13: Trends Sanitation: 2001-2011

Census 2001

Community Survey 2007

Census 2011

	Total households	% of households		Total households	% of households		Total households	% of households
Flush toilet (connected to sewerage system)	1657	11%	Flush toilet (connected to sewerage system)	3521	21%	None	494	3%
Flush toilet (with septic tank)	283	2%	Flush toilet (with septic tank)	1040	6%	Flush toilet (connected to sewerage system)	10584	61%
Chemical toilet	126	1%	Dry toilet facility	277	2%	Flush toilet (with septic tank)	608	4%
Pit latrine with ventilation (VIP)	362	3%	Pit toilet with ventilation (VIP)	506	3%	Chemical toilet	25	0%
Pit latrine without ventilation	2282	15%	Pit toilet without ventilation	3514	21%	Pit toilet with ventilation (VIP)	900	5%
Bucket latrine	8174	54%	Chemical toilet	0	0%	Pit toilet without ventilation	2377	14%
None	2156	14%	Bucket toilet system	6980	42%	Bucket toilet	1991	11%
Not applicable	3	0%	None	909	5%	Other	338	2%
Total	15039		Institutions	0	0%			

Census 2001

Community Survey 2007

Census 2011

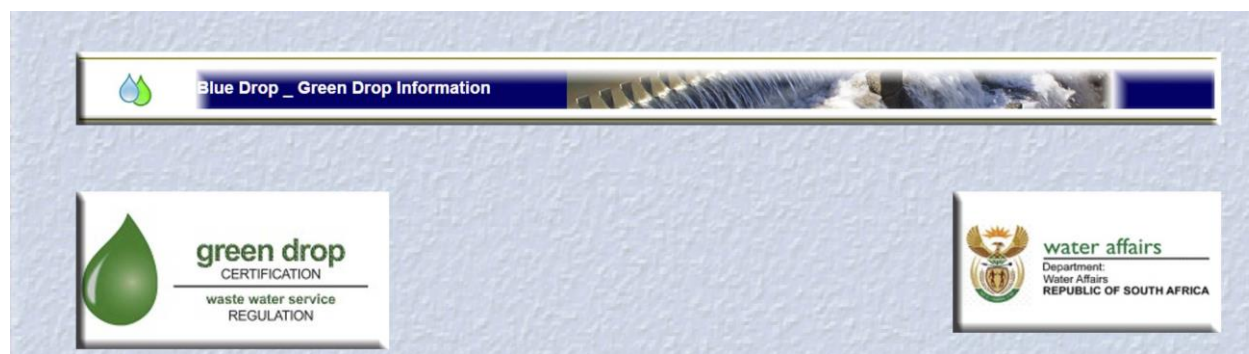
	Total households	% of households		Total households	% of households		Total households	% of households
			Total	16748		Total	17317	

(Source: StatsSa, 2001, 2007, 2011)

Figure / Table 3.14: Access to sanitation according to category and per ward

	None	Flush toilet (connected to sewerage system)	Flush toilet (with septic tank)	Chemical toilet	Pit toilet with ventilation (VIP)	Pit toilet without ventilation	Bucket toilet	Other
FS193: Nketoana	494	10584	608	25	900	2377	1991	338
Ward 1	27	1309	122	-	61	151	233	27
Ward 2	28	478	21	1	41	4	1283	14
Ward 3	28	1948	29	-	49	45	15	60
Ward 4	84	1297	63	4	8	186	73	48
Ward 5	48	137	106	3	542	672	189	56
Ward 6	95	884	146	1	109	459	141	34
Ward 7	89	1453	92	-	78	364	6	33
Ward 8	14	1455	1	16	1	10	20	5
Ward 9	82	1623	29	-	13	488	31	61

(Source: StatsSa; Census 2011)



The Municipality's Green Drop Risk exposure is extremely high (95,6%), and all four plants failed the assessment.

The previous assessment in 2012 was 96%

Free State

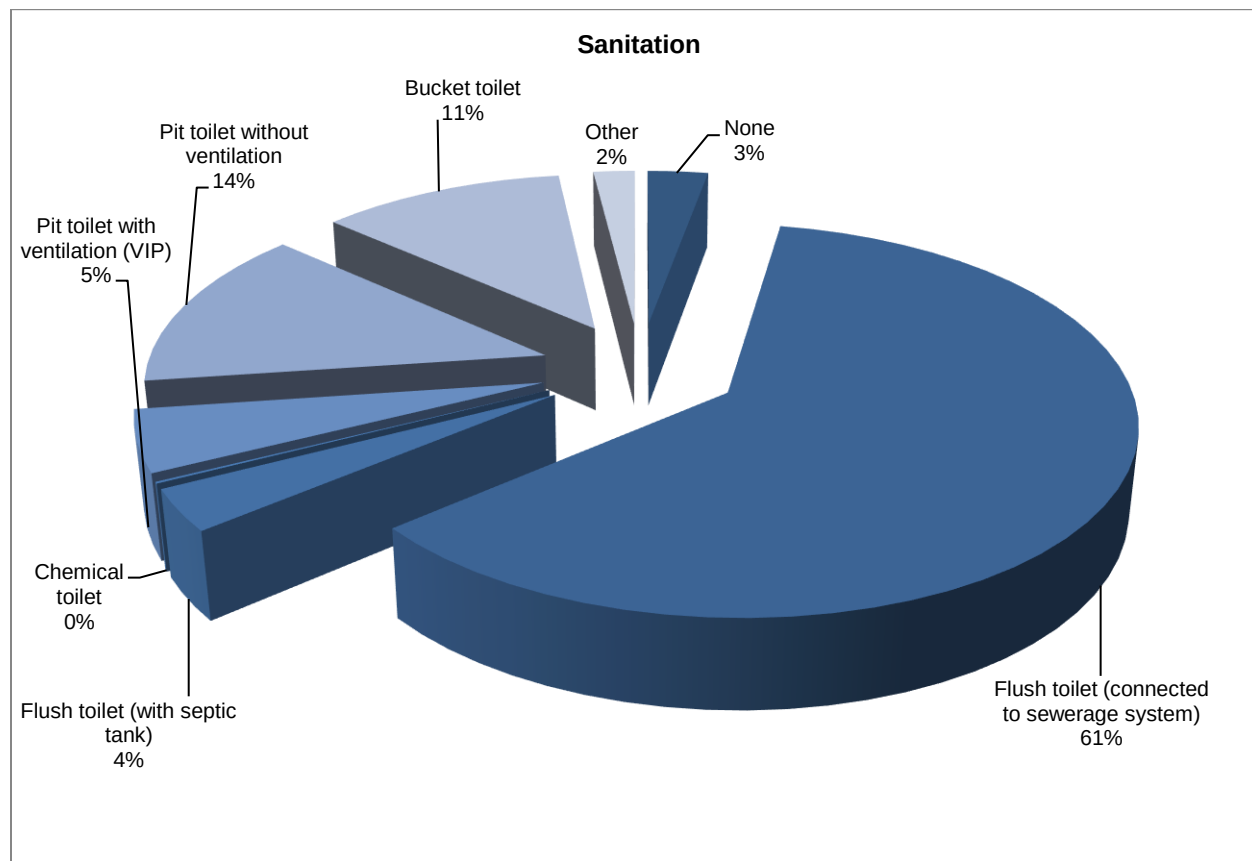
The following municipalities are in critical and high risk positions and placed under regulatory surveillance and therefore require immediate intervention :

WSA Name	2014 Average CRR/CRRmax % deviation	WWTPs in critical and high risk space	
Naledi LM	100%	Dewetsdorp, Van Stadensrus, Wepener	
Nala	100%	Bothaville, Wesselsbron	
Mafube LM	97.7%	Frankfort, Namahadi, Tweeling, Cornelia, Villiers	
Letsemeng LM	97.7%	Jacobsdal, Koffiefontein, Luckhoff, Oppermans, Petrusburg	
Mohokare LM	96.1%	Zastron, Rouxville, Smithfield	
KopanongLM	96.1%	Edenberg, Fauresmith, Gariep Dam, Jagersfontein, Philippolis, Reddersburg, Springfontein, Trompsburg	
Nketoana LM	95.6%	Lindley-Ntha, Petrus Steyn, Reitz	Arlington
Tswelopele LM	94.1%	Hoopstad	
Setsoto LM	93.2%	Clocolan, Marquard, Senekal	Ficksburg
Ngwathe LM	90.6%	Heilbron, Koppies, Parys, Vredefort	
Moqhaka LM	88.1%	Steynsrus	Viljoenskroon, Kroonstad
Masilonyana LM	87.1%	Brandfort, Masili, Theunissen, Soutpan	Winburg
Phumelela LM	86.3%		Memel, Warden, Vrede
Mantsopa LM	84.7%		Excelsior, Hobhouse, Lady Brand, Thaba Patchoa, Tweespruit
Metsimaholo	79.4%		Deneyville, Oranjeville
Dihlabeng LM	76.0%	Mautse, Rosendal	Bethlehem, Clarens, Mashaeng, Fouriesburg
Matjhabeng LM	70.8%	Theronia	Mmamahabane, Mbabane, Odendaarsurs (AS), Thabong, Allanridge (AS), Ventersburg
Mangaung LM	67.9%	Sterkwater	Bainsvlei, Bloemspruit, Boshabelo
Maluti A Phofung LM	62.7%		Makwane, Matsegeng, Moeding
Tokololo LM	37.3%		Bultfontein

	Critical risks
	High risk
	Medium risk

(Source: DWA, 2016)

Figure / Table 3.15: Sanitation

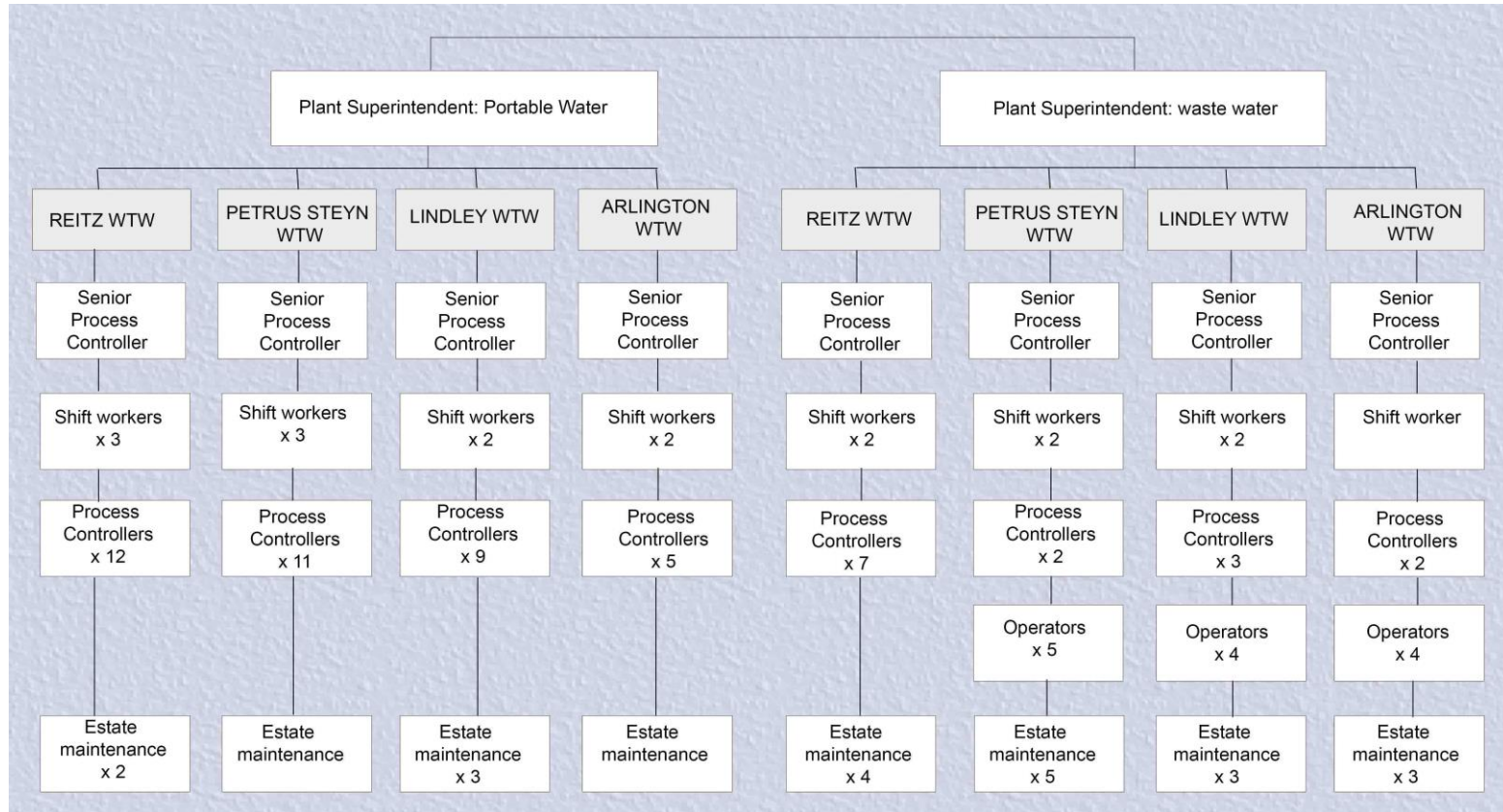
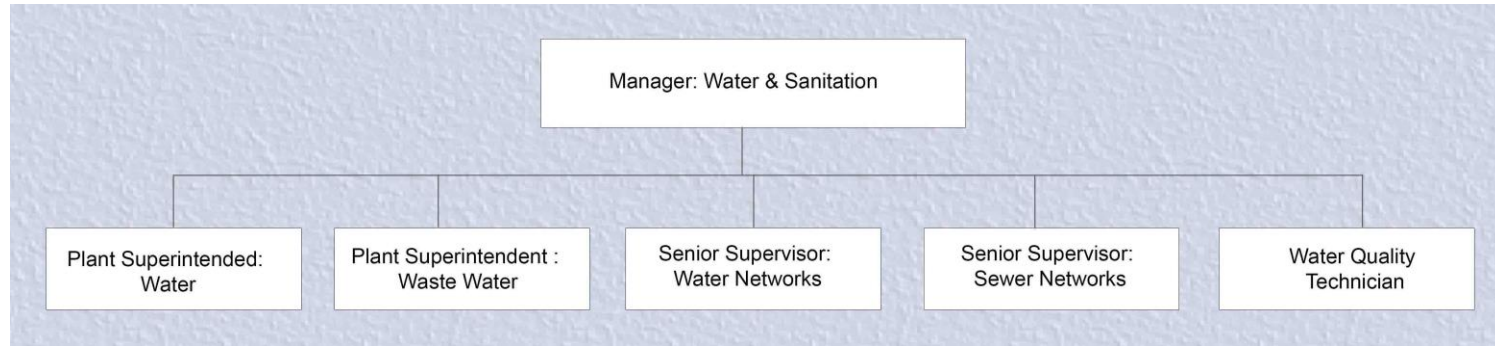


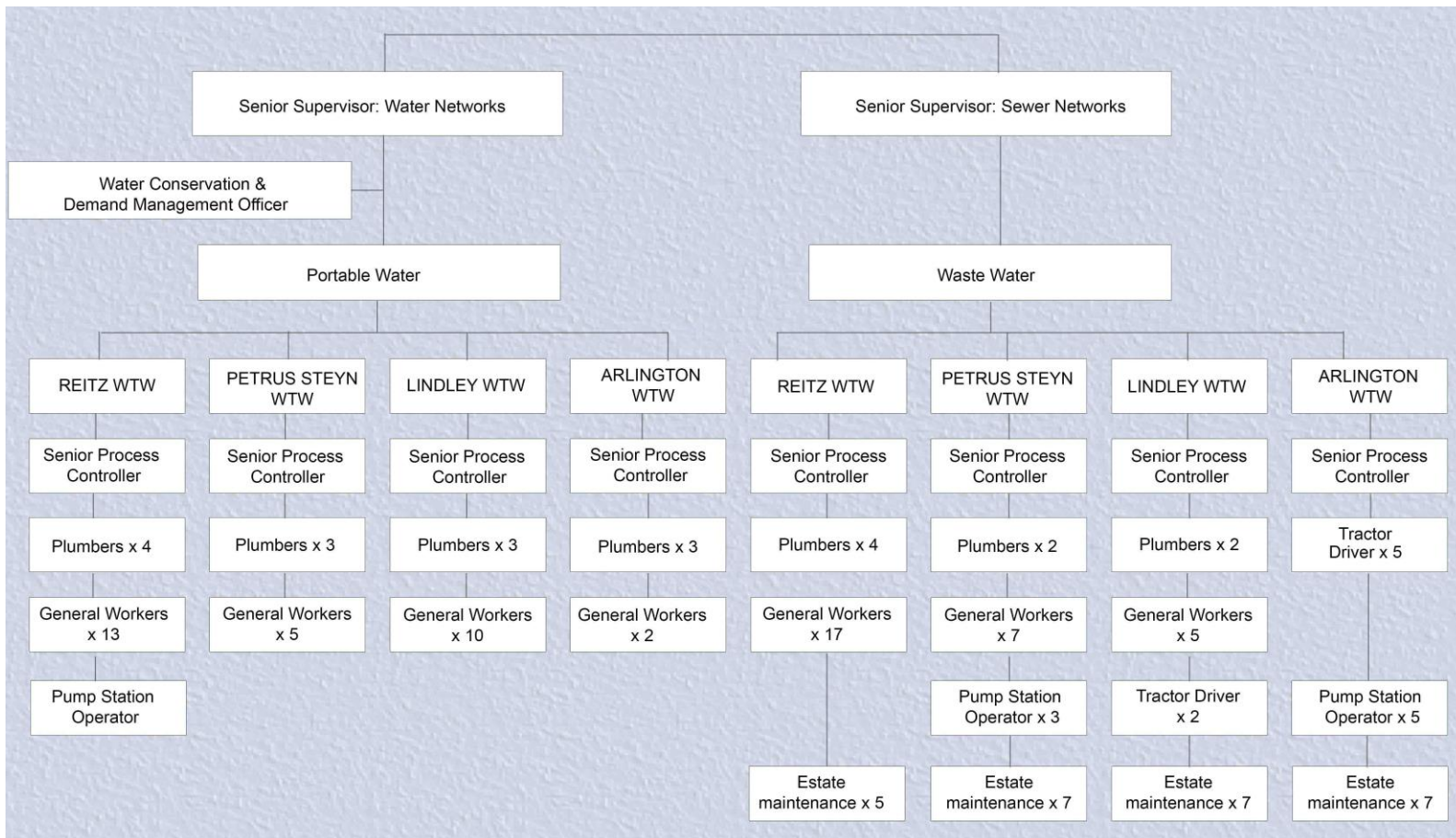
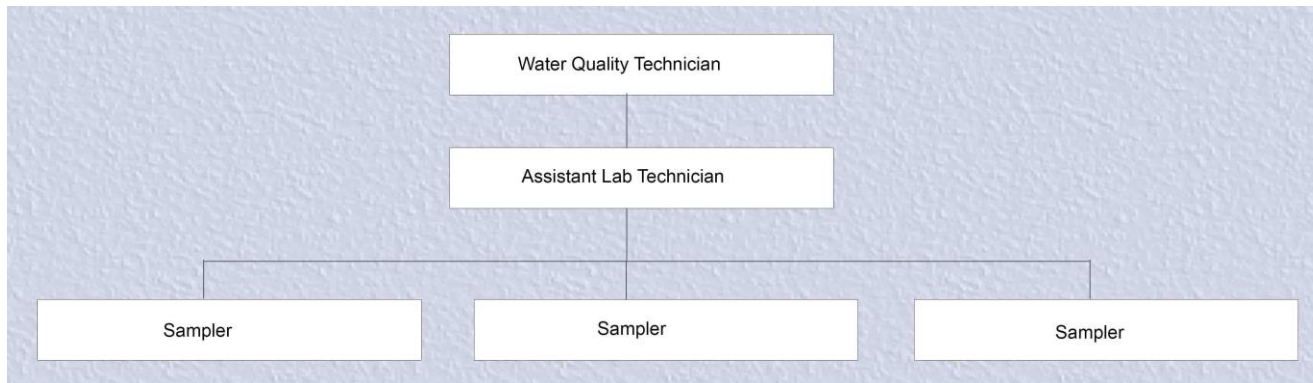
(Source: StatsSa; Census 2011)

Figure / Table 3.16: Status Quo Analysis: Sanitation

<i>Status Quo:</i>	
<i>General:</i>	• Most the households have got access to water born sewerage and those without are either using VIP or Buckets systems.
<i>Resource consideration:</i>	• The municipality should consider using grey water system in its all future toilets establishment.
<i>Indicate all areas or settlements without access in terms of the basic service standards and provide reasons for lack of service</i>	• None
<i>Indicate all areas or settlements with an unreliable service and provide reasons for this</i>	• None
<i>Indicate other challenges that are not highlighted above</i>	• None

Figure / Table 3.17: Organogram





IDP Priority 2:	Sanitation
Strategic Objective:	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of sanitation by 2017
Outcomes:	100% of households in formal settlements have access to basic level of sanitation
Vote:	Waste Water Management
Sub-function:	Sewerage

Actual performance against SDBIP targets set for the 2015/16 Financial Year and comparative assessment of targets with targets set for 2014/15 and 2016/17

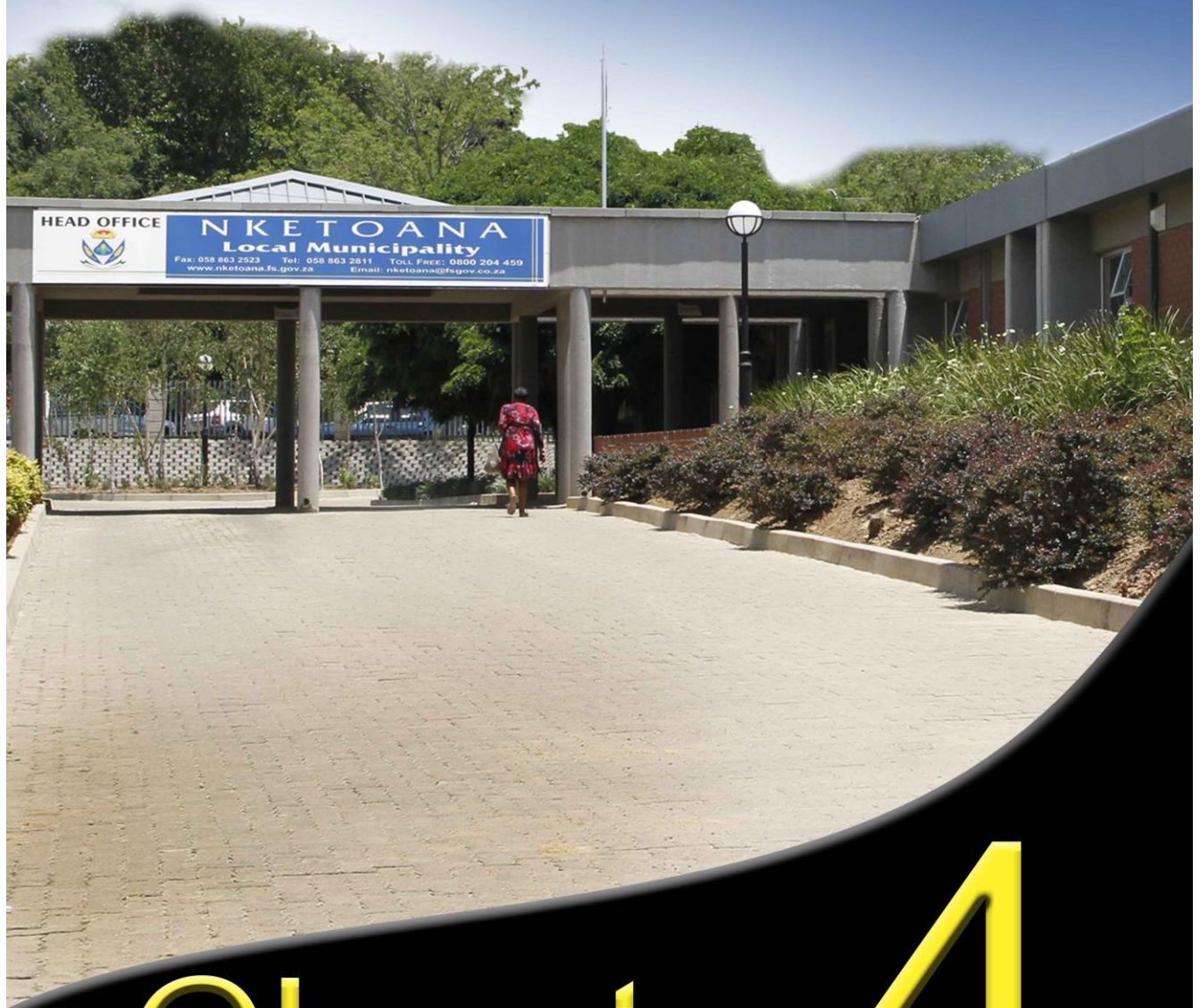
Key Performance Area:	Sanitation
IDP Priority:	Sanitation
Vote/Function:	Waste Water Management
Directorate:	Technical Services & Infrastructure Development

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of sanitation by 2017	15,331 households have access to at least RDP level of sanitation	Number of households with access to basic level of sanitation	15, 331	15 331	4838	15 331	4838	15 331	4838	15 331	4838	15 331	ACHIEVED 14838 households have access to at least RDP level of water. The source of the evidence is billing statistics from Finance	15 331	15 331	Number of households with access to basic level of sanitation	4838

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
		Petsana: Provision for Sanitation and Toilet brick structures	Number of stands served with sanitation and toilet structures	Additions to existing access levels	320	279							320	ACHIEVED The project is still in process. Only 279 structures were completed due to financial constraints in the municipality	502	0	Number of stands served with sanitation and toilet structures	41
	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of sanitation by 2017	Completion and adoption of a legislative compliant Water Services Development Plan	Number of WSDPs developed and approved : Sanitation	Review	1	0							1	NOT ACHIEVED Due to financial constraints in the municipality it could not be done. It will be done in the coming financial year.	1	0	Completion and adoption of a legislative compliant Water Services Development Plan	1
		Improvement of the municipality's green drop assessment score template	Improvement in the Percentage (assessment score) as awarded during the assessment by	18%	40%	0%							40%	NOT ACHIEVED The results of the assessment is not available yet.	18%	0%	Improvement in the Percentage (assessment score) as awarded	50%

Ref Number	Key Performance Indicator			Baseline	Targets								Annual	Performance Feedback Evidence Reason for deviation Remedial Action	2014/2015		2016/2017	
	Objective	Indicator	Unit of Measurement		July – Sept 2015	Actual	Oct – Dec 2015	Actual	Jan – March 2016	Actual	April – June 2016	Actual			Target	Actual	Objective	Target
			National DWA														ded during the assessment by National DWA	
	To ensure that 100% of households in formal settlements in the Nketoana municipal area have access to basic level of sanitation by 2017	All registered indigents having access to at least RDP level of free basic sanitation	Percentage of registered indigents having access to free basic level of sanitation	100%	100% of 6,000 registered indigent households	4773	100% of 6,000 registered indigent households	4773	100% of 6,000 registered indigent households	4773	100% of 6,000 registered indigent households	4773	100% of 6,000 registered indigent households	ACHIEVED The registered number of indigents, 4773 have access to the basic level of sanitation.	100% of 3 500	100 of 3 500	Percentage of registered indigents having access to free basic level of sanitation.	100% of 5 000

Organisational Development & Performance Management



Chapter 4

Component A: Introduction to the Municipal Personnel

4.1 Employee totals, turnover and vacancies

Table / Figure 4.1: Employee Summary as on 30 April 2016

Total number of employees	561
Section 56/57 employees	5
Total number of councillors	18
Total number of interns	29

(Source: Workplace Skills Plan: 2015/16)

Workforce Profile

Table / Figure 4.2: Total Number of Employees in the Municipality as on 30 June 2014

Occupational category	FA	FC	FI	FW	MA	MC	MI	MW	TOTAL
Legislators	5	0	0	0	10	0	0	3	18
Managers	2	0	0	1	10	0	0	2	15
Professionals	9	0	0	0	8	0	0	0	17
Technicians and Trade Workers	0	0	0	0	20	0	0	2	22
Clerical and Administrative Workers	52	0	0	2	54	0	0	0	108
Machinery Operators and drivers	95	0	0	0	286	0	0	0	381
Total	163	0	0	3	388	0	0	7	561

(Source: Workplace Skills Plan: 2015/16)

Table / Figure 4.3: Workforce profile by Occupational Category

According to Race and Gender

Occupational category	Female								Male								TOTAL
	FA	%	FC	%	FI	%	FW	%	MA	%	MC	%	MI	%	MW	%	
Legislators	5	27.78	0	0	0	0	0	0	10	55.56	0	0	0	0	3	16.67	18
Managers	2	13.33	0	0	0	0	1	6.67	10	66.67	0	0	0	0	2	13.33	15
Professionals	9	52.94	0	0	0	0	0	0	8	47.06	0	0	0	0	0	0	17
Technicians and Trade Workers	0	0	0	0	0	0	0	0	20	90.91	0	0	0	0	2	9.09	22
Clerical and Administrative Workers	52	48.15	0	0	0	0	2	1.85	54	50	0	0	0	0	0	0	108
Machinery Operators and drivers	95	24.93	0	0	0	0	0	0	286	75.07	0	0	0	0	0	0	381
Total	163	29.06	0	0	0	0	3	0.53	388	69.16	0	0	0	0	7	1.25	561

(Source: Workplace Skills Plan: 2015/16)

Table / Figure 4.4: According to Race

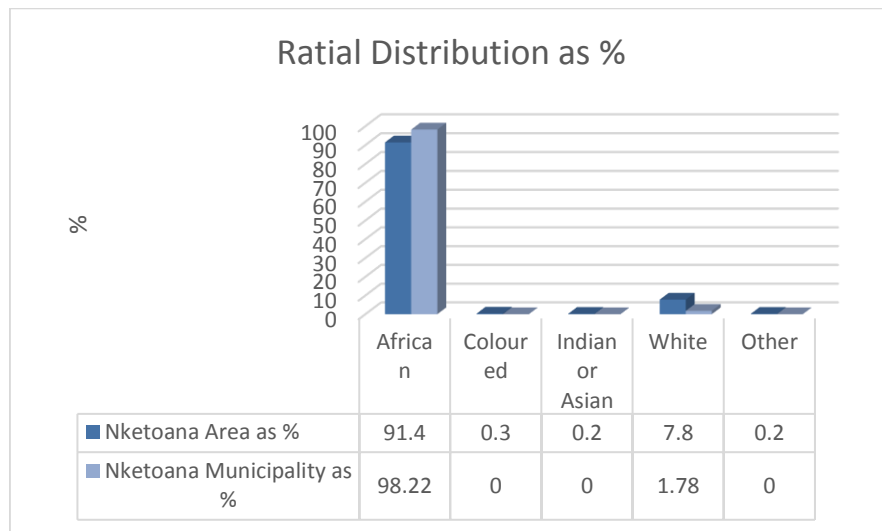
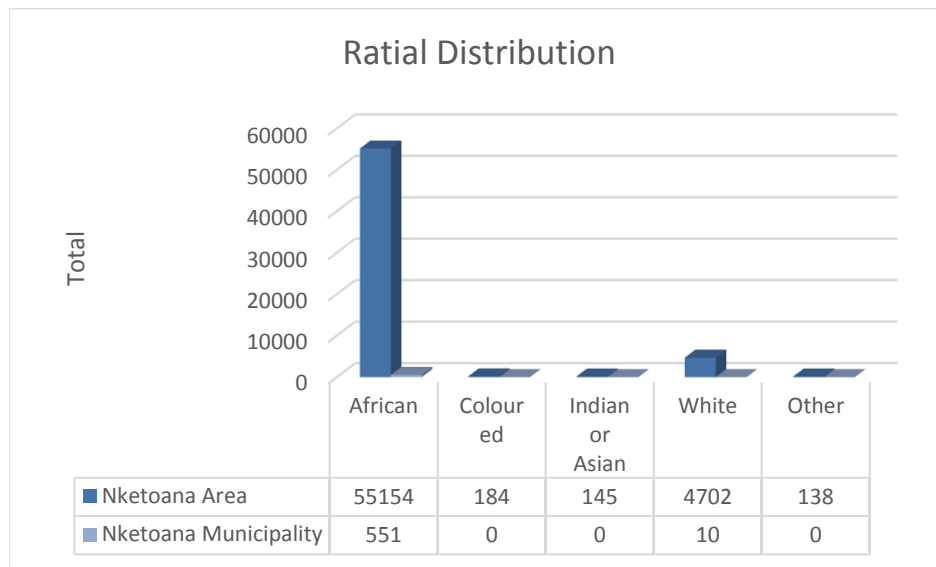
Occupational category	A	%	C	%	I	%	W	%
Legislators	15	83.33	0	0	0	0	3	16.67
Managers	12	80	0	0	0	0	3	16.67
Professionals	17	100	0	0	0	0	0	0
Technicians and Trade Workers	20	90.9	0	0	0	0	2	9.09
Clerical and Administrative Workers	106	98.25	0	0	0	0	2	9.09
Machinery Operators and drivers	381	100	0	0	0	0	0	0
Total	551	98.22	0	0	0	0	10	1.78

(Source: Workplace Skills Plan: 2015/16)

3.3.1 Racial Distribution

The Council racial distribution versus the Nketoane area's racial profile is shown in the chart below.

Table / Figure 4.5: Racial Distribution

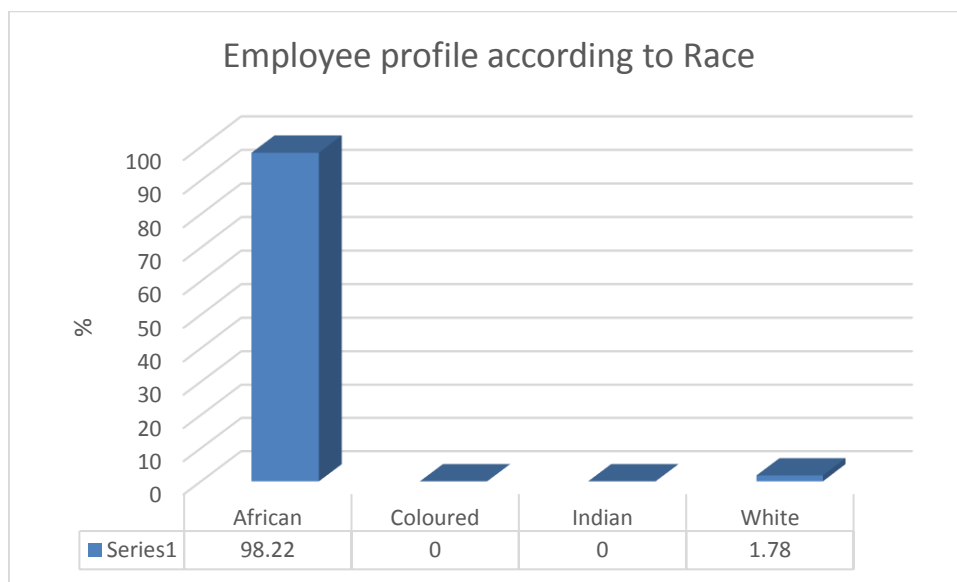


(Source: Source: Workplace Skills Plan: 2015/16)

Table / Figure 4.6: Racial distribution per occupational level

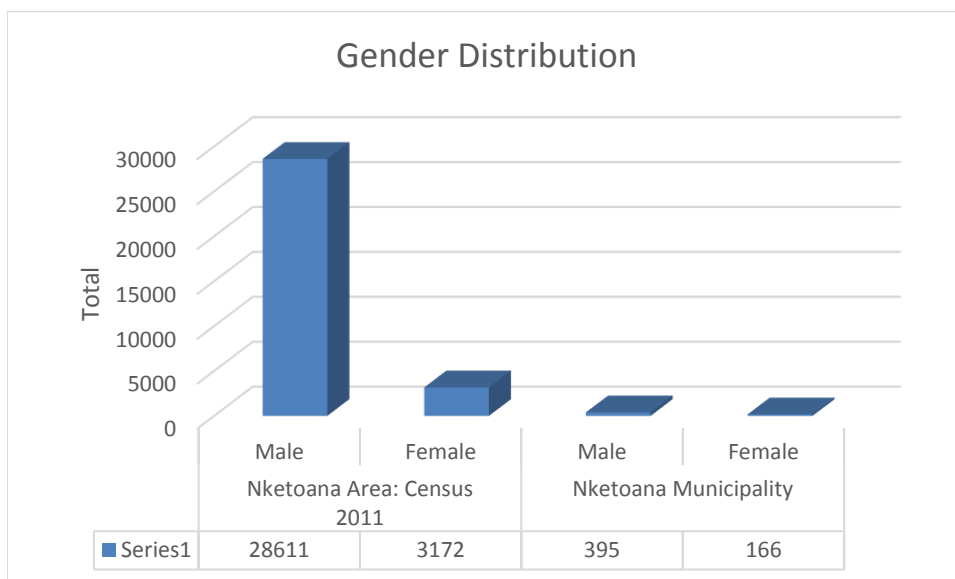
Occupational category	A	%	C	%	I	%	W	%
Legislators	15	83.33	0	0	0	0	3	16.67
Managers	12	80	0	0	0	0	3	16.67
Professionals	17	100	0	0	0	0	0	0
Technicians and Trade Workers	20	90.9	0	0	0	0	2	9.09
Clerical and Administrative Workers	106	98.25	0	0	0	0	2	9.09
Machinery Operators and drivers	381	100	0	0	0	0	0	0
Total	551	98.22	0	0	0	0	10	1.78

(Source: Source: Workplace Skills Plan: 2015/16)



(Source: Source: Workplace Skills Plan: 2015/16)

Table / Figure 4.7: Gender Distribution



Nketoana Area: Census 2011		Nketoana Municipality	
Male	Female	Male	Female
28611	3172	395	166
47.40%	52.60%	70.40%	29.60%

(Source: Source: Workplace Skills Plan: 2015/16)

Workforce Movement

Recruitment

Figure / Table 4.8: Recruitment of staff

Number of new employee Recruits By Occupation Category, Gender, Population Group and Age (Note: A=Africans, C=Coloureds, I= Indians and W= Whites)

Occupational Category	Occupation	FA	FC	FI	FW	MA	MC	MI	MW	Total	<35	35-55	55>	Total
Professionals	Internal Auditor	1	0	0	0	0	0	0	0	1	1	0	0	1
Professionals	ICT Specialist	0	0	0	0	2	0	0	0	2	2	0	0	2
Clerical and Administrative Workers	Records Clerk/ Coordinator	1	0	0	0	0	0	0	0	1	0	1	0	1
Machinery Operators and Drivers	Excavator Operator	0	0	0	0	1	0	0	0	1	0	1	0	1
Machinery Operators and Drivers	Grader Operator	0	0	0	0	1	0	0	0	1	0	1	0	1
Elementary Occupations	Caretaker/ Cleaner	1	0	0	0	1	0	0	0	2	0	2	0	2
Elementary Occupations	Drainage, Sewerage and Stormwater Worker	1	0	0	0	1	0	0	0	2	0	2	0	2
Elementary Occupations	Plumbers Assistant	0	0	0	0	4	0	0	0	4	1	3	0	4
Elementary Occupations	Recycling/ Rubbish Collector	0	0	0	0	2	0	0	0	2	1	1	0	2
Elementary Occupations	Electrical/ Telecommunications Trades Assistant	0	0	0	0	1	0	0	0	1	0	1	0	1
Total		4	0	0	0	13	0	0	0	17	5	12	0	17

(Source: Source: Workplace Skills Plan: 2015/16)

SUMMARY		
New recruits as a % of total employees	17	3.03%
Interns as a % of total employees	29	4.9%

(Source: Workplace Skills Plan: 2015/16)

Termination

Figure / Table 4.9: Termination of services

Employee Turnover between 1 May 2015 – 30 April 2016 (Note: A=Africans, C=Coloureds, I= Indians and W= Whites)

Occupational Category	Occupation	FA	FC	FI	FW	MA	MC	MI	MW	Total	<35	35-55	55>	Total
Professionals	Accountant (General)	0	0	0	0	1	0	0	0	1	0	1	0	1
Technicians and Trade Workers	Water Plant Operator	0	0	0	0	1	0	0	0	1	0	0	1	1
Machinery Operators and Drivers	Driver	0	0	0	0	2	0	0	0	2	0	1	1	2
Machinery Operators and Drivers	Truck Driver (General)	0	0	0	0	1	0	0	0	1	0	1	0	1
Machinery Operators and Drivers	Excavator Operator	0	0	0	0	2	0	0	0	2	0	0	2	2
Elementary Occupations	Caretaker/ cleaner	2	0	0	0	2	0	0	0	4	0	1	3	4
Elementary Occupations	Drainage, Sewerage and Storm Water Worker	0	0	0	0	1	0	0	0	1	0	1	0	1
Elementary Occupations	Plumbers Assistant	0	0	0	0	2	0	0	0	2	0	0	2	2
Elementary Occupations	Recycling/ Rubbish Collector	0	0	0	0	2	0	0	0	2	0	1	1	2
Elementary Occupations	Handyperson	0	0	0	0	1	0	0	0	1	0	1	0	1
Total		2	0	0	0	15	0	0	0	17	0	7	10	17

(Source: Workplace Skills Plan: 2015/16)

SUMMARY	
Employees who left as a % of total employee	3.03%

(Source: Workplace Skills Plan: 2015/16)

Component B: Managing the Municipal Workforce

The following are key objectives and indicators of the municipality's efforts to manage its workforce:

- Annual review of the organizational structure
- The filling of key vacancies. The following key vacancies were filled during 2014/15:
 - Chief Financial Officer
- Annual review of the HR Strategy

4.2 Policies

Status of policies

Key Policy Developments during 2013/14 Financial Year (Policies revised and new policies developed)

- Incapacity due to Illness/Injury Policy.
- Induction Policy.
- HIV/Life Threatening Diseases Policy.
- Sexual, Racial & Ethnic Harassment Policy.
- Attendance & Punctuality Policy.
- Policy on Career Opportunities, Succession Planning, Rapid Progression and Promotion

Policies that were in place during 2014/15 which are still applicable:

- Recruitment policy(Revise)
- Retention of Skilled Personnel
- Land disposal policy
- Travelling allowance
- Induction policy
- Training and development/Study policy
- Leave Encashment Policy
- Housing Help/Assistance
- Standby, Shift Allowance policy
- Occupation Health and Safety
- Contract workers
- Laptop policy
- Telephone usage policy
- Cellular phone policy
- Catering policy
- Retirement policy
- Retention of Skilled personnel
- Councilors Funeral policy
- Probation policy
- Training and development policy
- Recruitment policy

- Employee Funeral policy
- Establishment and Functionality of Ward committees
- Records Management Policy
- Recruitment policy(Revise)
- Retention of Skilled Personnel
- Land disposal policy
- Travelling allowance
- Induction policy
- Training and development/Study policy
- Leave Encashment Policy
- Housing Help/Assistance
- Standby, Shift Allowance policy
- Occupation Health and Safety

4.3 Monitoring and Evaluation

Disciplinary Action

Figure / Table 4.10: Disciplinary action

C5. EMPLOYEES WHO LEFT THE MUNICIPALITY																																	
EM PL OY ME NT SE CTI ON	FEMALE				MALE				TOTAL				P W D	AGE GROUPS				REASONS FOR LEAVING															
																		RESI GNE D	RET IRE D		RETR ENCH ED		MED ICAL REA SON S		DIS MISS ED		DE AT H		CON TRAC T TER MINA TED		T O T A L		
	A	C	I	W	A	C	I	W	A	C	I	W		< 3 5	3 5 - 5 5	> 5 5	F	M	F	M	F	M	F	M	F	M	F	M					
Roa d Tra nsp ort					0				0	0	0	0				0										0			0				
TOT ALS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				

(Source: Workplace Skills Plan: 2015/16)

Component C: Employment Equity Status

Table / Figure 4.11: Employee profile

TOTAL NUMBER OF COUNCILLORS/EMPLOYEES PER OCCUPATIONAL CATEGORY, POPULATION GROUP, DISABILITY STATUS, AND AGE GROUP

Occupational category	Occupation	F A	F C	F I	F W	M A	M C	M I	M W	TOTAL	D A	D C	D I	D W	TOTAL	< 35	35-55	55 >	TOTAL	NON SA
Legislators	Traditional Leader paid by municipality	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legislators	Traditional Leader paid by Prov Dept	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legislators	Executive Mayor	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Legislators	Speaker	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Legislators	Chief Whip	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Legislators	Member of Mayoral Committee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legislators	Ward Committee / PR Councillor	4	0	0	0	8	0	0	3	15	1	0	0	0	1	1	11	3	15	0
Managers	Municipal Manager	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Managers	Deputy City Manager	1	0	0	0	3	0	0	1	5	0	0	0	0	0	3	1	1	5	0
Managers	Credit Manager	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	1	0	1	0
Managers	Internal Audit manager	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Managers	Policy and Planning Manager	0	0	0	1	1	0	0	0	2	0	0	0	0	0	0	1	1	2	0
Managers	Corporate Services Manager	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Managers	Contract Manager	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	1
Managers	Construction Project Manager	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Managers	Community Development Manager	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Managers	Environmental Manager	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Professionals	Water Quality Technician	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Professionals	Urban and Regional Planner	0	0	0	0	1	0	0	0	1	0	0	0	0	0	1	0	0	1	0
Professionals	Local Economic Development	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0

Occupational category	Occupation	FA	FC	FI	FW	MA	MC	MI	MW	TOTAL	DA	DC	DI	DW	TOTAL	< 35	35-55	55 >	TOTAL	NON SA
	nt Officer/ Coordinator																			
Professionals	Liaison Officer	2	0	0	0	1	0	0	0	3	0	0	0	0	0	2	1	0	3	0
Professionals	Accountant (General)	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Professionals	Financial Accountant	2	0	0	0	0	0	0	0	2	0	0	0	0	0	0	2	0	2	0
Professionals	Internal Auditor	0	0	0	0	1	0	0	0	1	0	0	0	0	0	1	0	0	1	0
Professionals	Human Resource Officer	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Professionals	Recreation Officer	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Professionals	Training Officer	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Professionals	Media Liaison Officer/ communication Coordinator	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	1	0
Professionals	ICT Specialist	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	1	0
Professionals	Records Manager	0	0	0	0	1	0	0	0	1	0	0	0	0	0	1	0	0	1	0
Professionals	Disaster management Coordinator/ Officer	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Technicians and Trade Workers	Water Plant Operator	0	0	0	0	1	0	0	0	10	0	0	0	0	0	0	9	1	10	0
Technicians and Trade Workers	Parks Caretaker/ Groundskeeper	0	0	0	0	4	0	0	0	4	0	0	0	0	0	0	4	0	4	0
Technicians and Trade Workers	Plumber	0	0	0	0	5	0	0	0	5	0	0	0	0	0	0	4	1	5	0
Technicians and Trade Workers	Automotive Motor Mechanic	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	1	0	1	0
Technicians and Trade Workers	Electrician	0	0	0	0	1	0	0	1	2	0	0	0	0	0	0	2	0	2	0
Clerical and Administrative Workers	Finance Clerk/ Administrator	0	0	0	0	2	0	0	0	2	0	0	0	0	0	1	1	0	2	0
Clerical and Administrative Workers	Procurement Clerk	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Clerical and Administrative Workers	Supply Chain Practitioner	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	1	0

Occupational category	Occupation	F A	F C	F I	F W	M A	M C	M I	M W	TOTAL	D A	D C	D I	D W	TOTAL	< 35	35-55	55 >	TOTAL	NON SA
Clerical and Administrative Workers	Office Administrator	4	0	0	0	1	0	0	0	5	0	0	0	0	0	1	4	0	5	0
Clerical and Administrative Workers	Executive Assistant	3	0	0	0	3	0	0	0	6	0	0	0	0	0	2	4	0	6	0
Clerical and Administrative Workers	Administrative Assistant	1	0	0	1	1	0	0	0	3	0	0	0	0	0	0	2	1	3	0
Clerical and Administrative Workers	Datat Capturer	1	0	0	0	1	0	0	0	2	0	0	0	0	0	2	0	0	2	0
Clerical and Administrative Workers	Switchboard Operator	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Clerical and Administrative Workers	Client Liasion Officer	3	0	0	1	1	0	0	0	5	0	0	0	0	0	2	3	0	5	0
Clerical and Administrative Workers	Accounting clerk	3	0	0	0	2	0	0	0	5	0	0	0	0	0	1	4	0	5	0
Clerical and Administrative Workers	Payroll clerk	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Clerical and Administrative Workers	Stock/ Stores Officer	0	0	0	0	1	0	0	0	1	0	0	0	0	0	1	0	0	1	0
Clerical and Administrative Workers	Records Clerk/ Coordinator	1	0	0	0	1	0	0	0	2	0	0	0	0	0	0	2	0	2	0
Clerical and Administrative Workers	Human Resources Clerk	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	1	0
Clerical and Administrative Workers	Programme/ project Coordinator	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Clerical and Administrative Workers	Tour Guide	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Clerical and Administrative Workers	Cashier	3	0	0	0	1	0	0	0	4	0	0	0	0	0	1	2	1	4	0

Occupational category	Occupation	F A	F C	F I	F W	M A	M C	M I	M W	TOTAL	D A	D C	D I	D W	TOTAL	< 35	35-55	55 >	TOTAL	NON SA
Clerical and Administrative Workers	Fire Fighter	0	0	0	0	2	0	0	0	2	0	0	0	0	0	1	1	0	2	0
Clerical and Administrative Workers	Traffic Officer	3	0	0	0	1	0	0	0	4	0	0	0	0	0	2	2	0	4	0
Clerical and Administrative Workers	Security Officer	25	0	0	0	35	0	0	0	60	0	0	0	0	0	36	24	0	60	0
Machine ry Operators and drivers	Driver	0	0	0	0	19	0	0	0	19	0	0	0	0	0	3	10	6	19	0
Machine ry Operators and drivers	Truck Driver	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	1	1	0
Machine ry Operators and drivers	General Worker	20	0	0	0	0	0	0	0	20	0	0	0	0	0	1	11	8	20	0
Machine ry Operators and drivers	Caretaker/cleaner	39	0	0	0	48	0	0	0	87	0	0	0	0	0	38	38	11	87	0
Machine ry Operators and drivers	Swimming Pool Cleaner	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	1	0
Machine ry Operators and drivers	Drainage, sewerage and Storm Water Worker	6	0	0	0	79	0	0	0	85	0	0	0	0	0	13	59	13	85	0
Machine ry Operators and drivers	Earthmoving Worker	0	0	0	0	2	0	0	0	2	0	0	0	0	0	0	0	2	2	0
Machine ry Operators and drivers	Plumbers Assistant	7	0	0	0	42	0	0	0	49	0	0	0	0	0	3	44	2	49	0
Machine ry Operators and drivers	Recycling/Rubbish collector	19	0	0	0	63	0	0	0	82	0	0	0	0	0	13	61	7	82	0
Machine ry Operators and drivers	Handyperson	3	0	0	0	18	0	0	0	21	0	0	0	0	0	5	14	2	21	0
Machine ry Operators and drivers	Meter Reader	0	0	0	0	2	0	0	0	2	0	0	0	0	0	1	0	1	2	0
Machine ry Operator	Electrical/ Telecom Trades assistant	0	0	0	0	10	0	0	0	10	0	0	0	0	0	1	8	1	10	0

Occupational category	Occupation	F A	F C	F I	F W	M A	M C	M I	M W	TOTAL	D A	D C	D I	D W	TOTAL	< 35	35-55	55 >	TOTAL	NON SA
s and drivers																				
Machine ry Operator s and drivers	Mechanics Assistant	0	0	0	0	2	0	0	0	2	0	0	0	0	0	0	2	0	2	0
		1	0	0	3	3	0	0	7	561	1	0	0	0	1	1	35	6	561	1
Total		6	0	0	3	8	0	0	7	561	1	0	0	0	1	1	35	6	561	1

(Source: Workplace Skills Plan: 2015/16)

Figure / Table 4.12: Summary Employment Data

Total number of black (African, Coloured, Indian) employees	551
Black employees as a % of total employees	98.22%
Total number of women employees	166
Women employees as a % of total employees	29.59%
Total number of employees with disabilities	1
Employees with disabilities as a % of total employees	0%
Total employees over the age of 55	63
Over 55 employees as a % of total employees	11.23%
Total employees between the ages of 35 and 55	356
Employees between 35 and 55 as a % of total employees	63.46%
Total employees under the age of 35	141
Employees under 35 as a % of total employees	25.13%

Qualifications Profile

Table / Figure 4.13: Employee qualification profile

Occupation	Below NQF Level	NQF Level 1	NQF Level 2	NQF Level 3	NQF Level 4	NQF Level 5	NQF Level 6	NQF Level 7	NQF Level 8	NQF Level 9	NQF Level 10	Other	Total
Traditional Leader paid by municipality	0	0	0	0	0	0	0	0	0	0	0	0	0
Traditional Leader paid by Prov Dept	0	0	0	0	0	0	0	0	0	0	0	0	0
Executive Mayor	0	0	0	0	0	0	1	0	0	0	0	0	1
Speaker	0	0	0	0	0	0	1	0	0	0	0	0	1
Chief Whip	0	0	0	0	0	0	1	0	0	0	0	0	1
Member of Mayoral Committee	0	0	0	0	0	0	0	0	0	0	0	0	0
Ward Committee/ PR Councillor	1	0	0	1	2	6	3	1	1	0	0	0	15
Municipal Manager	0	0	0	0	0	0	0	0	1	0	0	0	1
Deputy City Manager	0	0	0	0	0	2	3	0	0	0	0	0	5
Credit Manager	0	0	0	0	0	1	0	0	0	0	0	0	1
Internal Audit manager	0	0	0	0	0	0	1	0	0	0	0	0	1
Policy and Planning Manager	0	0	0	0	0	0	1	1	0	0	0	0	2
Corporate Services Manager	0	0	0	0	0	0	0	1	0	0	0	0	1
Contract Manager	0	0	0	0	0	0	0	1	0	0	0	0	1
Construction Project Manager	0	0	0	0	0	0	0	0	0	1	0	0	1
Community Development Manager	0	0	0	0	0	1	0	0	0	0	0	0	1
Environmental Manager	0	0	0	0	0	0	1	0	0	0	0	0	1
Water Quality Technician	0	0	0	0	0	0	0	1	0	0	0	0	1
Urban and Regional Planner	0	0	0	0	0	0	1	0	0	0	0	0	1
Local Economic Development Officer/ Coordinator	0	0	0	0	1	0	0	0	0	0	0	0	1
Liaison Officer	0	0	0	0	0	2	1	0	0	0	0	0	3
Accountant (General)	0	0	0	0	0	0	0	1	0	0	0	0	1
Financial Accountant	0	0	0	0	0	2	0	0	0	0	0	0	2
Internal Auditor	0	0	0	0	0	0	0	1	0	0	0	0	1
Human Resource Officer	0	0	0	0	0	0	0	1	0	0	0	0	1

Occupation	Below NQF Level	NQF Level 1	NQF Level 2	NQF Level 3	NQF Level 4	NQF Level 5	NQF Level 6	NQF Level 7	NQF Level 8	NQF Level 9	NQF Level 10	Other	Total
Recreation Officer	0	0	0	0	0	1	0	0	0	0	0	0	1
Training Officer	0	0	0	0	0	0	0	1	0	0	0	0	1
Media Liaison Officer/ communication Coordinator	0	0	0	0	0	0	1	0	0	0	0	0	1
ICT Specialist	0	0	0	0	0	0	0	1	0	0	0	0	1
Records Manager	0	0	0	0	0	0	1	0	0	0	0	0	1
Disaster management Coordinator/ Officer	0	0	0	0	0	1	0	0	0	0	0	0	1
Water Plant Operator	1	4	1	3	1	0	0	0	0	0	0	0	10
Parks Caretaker/ Groundskeeper	0	0	0	1	1	1	1	0	0	0	0	0	4
Plumber	0	0	1	1	3	0	0	0	0	0	0	0	5
Automotive Motor Mechanic	0	0	0	0	1	0	0	0	0	0	0	0	1
Electrician	0	0	0	0	2	0	0	0	0	0	0	0	2
Finance Clerk/ Administrator	0	0	0	0	1	0	1	0	0	0	0	0	2
Procurement Clerk	0	0	0	0	0	1	0	0	0	0	0	0	1
Supply Chain Practitioner	0	0	0	0	0	0	1	0	0	0	0	0	1
Office Administrator	0	0	0	1	2	2	0	0	0	0	0	0	5
Executive Assistant	0	0	0	0	5	1	0	0	0	0	0	0	6
Administrative Assistant	0	0	0	0	2	0	0	1	0	0	0	0	3
Datat Capturer	0	0	0	0	1	0	1	0	0	0	0	0	2
Switchboard Operator	0	0	0	0	0	1	0	0	0	0	0	0	1
Client Liasion Officer	0	0	0	0	2	0	2	1	0	0	0	0	5
Accounting clerk	0	0	0	0	2	3	0	0	0	0	0	0	5
Payroll clerk	0	0	0	0	0	0	1	0	0	0	0	0	1
Stock/ Stores Officer	0	0	0	0	0	0	1	0	0	0	0	0	1
Records Clerk/ Coordinator	0	0	0	0	1	0	0	1	0	0	0	0	2
Human Resources Clerk	0	0	0	0	0	1	0	0	0	0	0	0	1
Programme/ project Coordinator	0	0	0	0	0	0	1	0	0	0	0	0	1
Tour Guide	0	0	0	0	0	1	0	0	0	0	0	0	1
Cashier	0	0	1	0	1	2	0	0	0	0	0	0	4
Fire Fighter	0	0	0	0	2	0	0	0	0	0	0	0	2
Traffic Officer	0	0	0	0	0	4	0	0	0	0	0	0	4
Security Officer	0	0	0	0	60	0	0	0	0	0	0	0	60
Driver	1	12	0	2	4	0	0	0	0	0	0	0	19

Occupation	Below NQF Level	NQF Level 1	NQF Level 2	NQF Level 3	NQF Level 4	NQF Level 5	NQF Level 6	NQF Level 7	NQF Level 8	NQF Level 9	NQF Level 10	Other	Total
Truck Driver	1	0	0	0	0	0	0	0	0	0	0	0	1
General Worker	11	4	3	0	1	1	0	0	0	0	0	0	20
Caretaker/cleaner	34	24	15	7	7	0	0	0	0	0	0	0	87
Swimming Pool Cleaner	0	0	0	0	1	0	0	0	0	0	0	0	1
Drainage, sewerage and Storm Water Worker	14	29	21	12	9	0	0	0	0	0	0	0	85
Earthmoving Worker	2	0	0	0	0	0	0	0	0	0	0	0	2
Plumbers Assistant	15	14	10	6	4	0	0	0	0	0	0	0	49
Recycling/ Rubbish collector	30	11	19	14	7	1	0	0	0	0	0	0	82
Handyperson	6	12	3	0	0	0	0	0	0	0	0	0	21
Meter Reader	0	0	0	1	1	0	0	0	0	0	0	0	2
Electrical/ Telecom Trades assistant	3	5	0	2	0	0	0	0	0	0	0	0	10
Mechanics Assistant	0	0	1	1	0	0	0	0	0	0	0	0	2
	119	115	75	52	124	35	25	13	2	1	0	0	561

(Source: Workplace Skills Plan: 2015/16)

Figure / Table 4.14: Summary Employee Qualification Profile Data

EMPLOYEE QUALIFICATION PROFILE	
Total number of employees with an NQF Level 1 and below qualification	119
Employees with an NQF Level 1 and below qualification as a % of total employees	21.21%
Total number of employees with an NQF Level 2, 3 or 4 qualification	251
Employees with an NQF Level 2, 3 or 4 qualification as a % of total employees	44.74%
Total number of employees with an NQF Level 5 or above qualification	76
Employees with an NQF Level 5 or above qualification as a % of total employees	13.55%
Total employees who are Managers and Professionals with an NQF Level 6 or above qualification	21
Employees who are Managers and Professionals with an NQF Level 6 or above qualification as a % of total employees in those categories	21 of 32 = 56.62%
Total employees who are Technicians and Trade Workers with an NQF Level 5 or above qualification	2
Employees who are Technicians and Trade Workers with an NQF Level 5 or above qualification as a % of total employees in those categories	2 of 22 = 9.09%

(Source: Workplace Skills Plan: 2015/16)

Component D: Capacitating the Municipal Workforce

Table / Figure 4.15: Training for Municipal Employees during 2015/16

Number of Training Beneficiaries by Occupational Category, Gender, Population Group, Disability and Age- Employees

Occupational category	F A	F C	F I	F W	M A	M C	M I	M W	TOTAL	D A	D C	D I	D W	TOTAL	<35	35-55	55 >	TOTAL
Legislators	0	0	0	0	6	0	0	0	6	0	0	0	0	0	0	6	0	6
Managers	2	0	0	0	7	0	0	0	9	0	0	0	0	0	3	6	0	9
Professionals	3	0	0	0	5	0	0	0	8	0	0	0	0	0	4	4	0	8
Technicians and Trade Workers	0	0	0	0	6	0	0	0	6	0	0	0	0	0	0	6	0	6
Clerical and Administrative Workers	6	0	0	0	7	0	0	0	13	0	0	0	0	0	5	8	0	13
Elementary Occupations	1	0	0	0	12	0	0	0	13	0	0	0	0	0	3	10	0	13
Total	12	0	0	0	43	0	0	0	55	0	0	0	0	0	15	40	0	55

Number of Training Beneficiaries by occupational Category, Gender, Population Group, Disability and Age as at 30 April 2016 - Unemployed

Occupational category	FA	FC	FI	FW	MA	MC	MI	MW	TOTAL	DA	DC	DI	DW	TOTAL	<35	35-55	55 >	TOTAL
Professionals	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	1
Technicians and Trade Workers	24	0	0	0	20	0	0	0	44	0	0	0	0	0	44	0	0	44
Clerical and Administrative Workers	2	0	0	0	3	0	0	0	5	0	0	0	0	0	4	1	0	5
Clerical and Administrative Workers	1	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	1
Sales and Service Workers	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	1
Total	28	0	0	0	24	0	0	0	52	0	0	0	0	0	50	2	0	52

(Source: Workplace Skills Plan: 2015/16)

SKILLS DEVELOPMENT SUMMARY

Reporting on Training Expenditure for 1 May 2015-30 April 2016

Funding Source	Planned Training Budget-Employed	Planned Training Budget-Unemployed	Actual Expenditure - Employed	Actual Expenditure-Unemployed	committed Expenditure - Employed	Committed Expenditure-Unemployed
Mandatory Grant Funds	R150000.00	0	R56390.00	0	0	0
Outstanding Mandatory Grant Funds from previous year	0	0	0	0	0	0
Discretionary Grant Funds	0	0	0	0	0	0
Additional funding (Municipality/ entity, donor funds, other government funds etc.)	R500000.00	R500000.00	R218560.93	0	0	0

(Source: Workplace Skills Plan: 2015/16)

Planned Training Budget for 1 May 2016- 30 April 2017

Funding Source	Planned Training Budget-Employed	Planned Training Budget-Unemployed	Actual Expenditure - Employed	Actual Expenditure-Unemployed	committed Expenditure - Employed	Committed Expenditure-Unemployed
Mandatory Grant Funds	0	0	0	0	0	0
Outstanding Mandatory Grant Funds from previous year	0	0	0	0	0	0
Discretionary Grant Funds	R180 000.00	R252 000.00	0	0	0	0
Additional funding (Municipality/ entity, donor funds, other government funds etc.)	0	0	R5000 000.00	R500000	0	0

(Source: Workplace Skills Plan: 2015/16)

Component E: Managing the Workforce Expenditure

Disclosure of Staff Remuneration

Figure / Table 4.16: Disclosure of staff remuneration

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. Employee related costs		
Basic	51 703 164	48 176 825
Bonus	3 317 436	3 498 891
Medical aid - company contributions	1 973 601	2 097 075
UIF	543 300	477 511
WCA	139 326	146 853
SDL	711 289	755 745
Leave pay and bonus provision	373 817	195 232
SALGA contributions	39 652	33 820
Defined contribution plans	996 000	975 000
Travel, car, accommodation, subsistence and other allowances	2 815 066	2 422 583
Overtime payments	5 260 317	4 476 540
Acting allowances	1 395 940	473 715
Housing benefits and allowances	419 862	406 791
Pension	8 668 340	8 488 640
Standby allowances	1 677 552	1 437 283
Telephone and other allowances	775 728	736 205
	80 810 390	74 798 709

The leave pay and bonus provision amounting to R 373 817 (2015: R 195 232) comprises of the movements in the leave and bonus provisions year on year. Please refer to note 19 for more detail on these provisions.

Remuneration of Executive Directors

Remuneration of Accounting Officer

Annual remuneration	851 970	776 065
Car allowance	192 000	-
Bonus	89 000	-
Other allowances	130 651	280 200
Contributions to UIF, medical and pension funds	255 487	33 300
	1 519 108	1 089 565

Remuneration of Acting Chief Financial Officer

Annual remuneration	299 374	279 789
Acting allowance	283 265	89 340
Car allowance	130 662	-
Bonus	24 948	-
Other allowances	19 378	-
Contributions to UIF, medical and pension funds	160 942	101 204
	918 569	470 333

Remuneration of Executive Director - Corporate Services

Annual remuneration	858 545	730 826
Acting allowance	15 600	-
Car allowance	36 000	-
Bonus	52 500	-
Other allowances	122 312	66 229
Contributions to UIF, medical and pension funds	-	4 256
	1 084 957	801 311

Remuneration of Executive Director - Technical Services

Annual remuneration	682 669	593 550
Car allowance	133 333	-
Bonus	49 462	-
Other allowances	122 663	268 905
Contributions to UIF, medical and pension funds	3 569	-

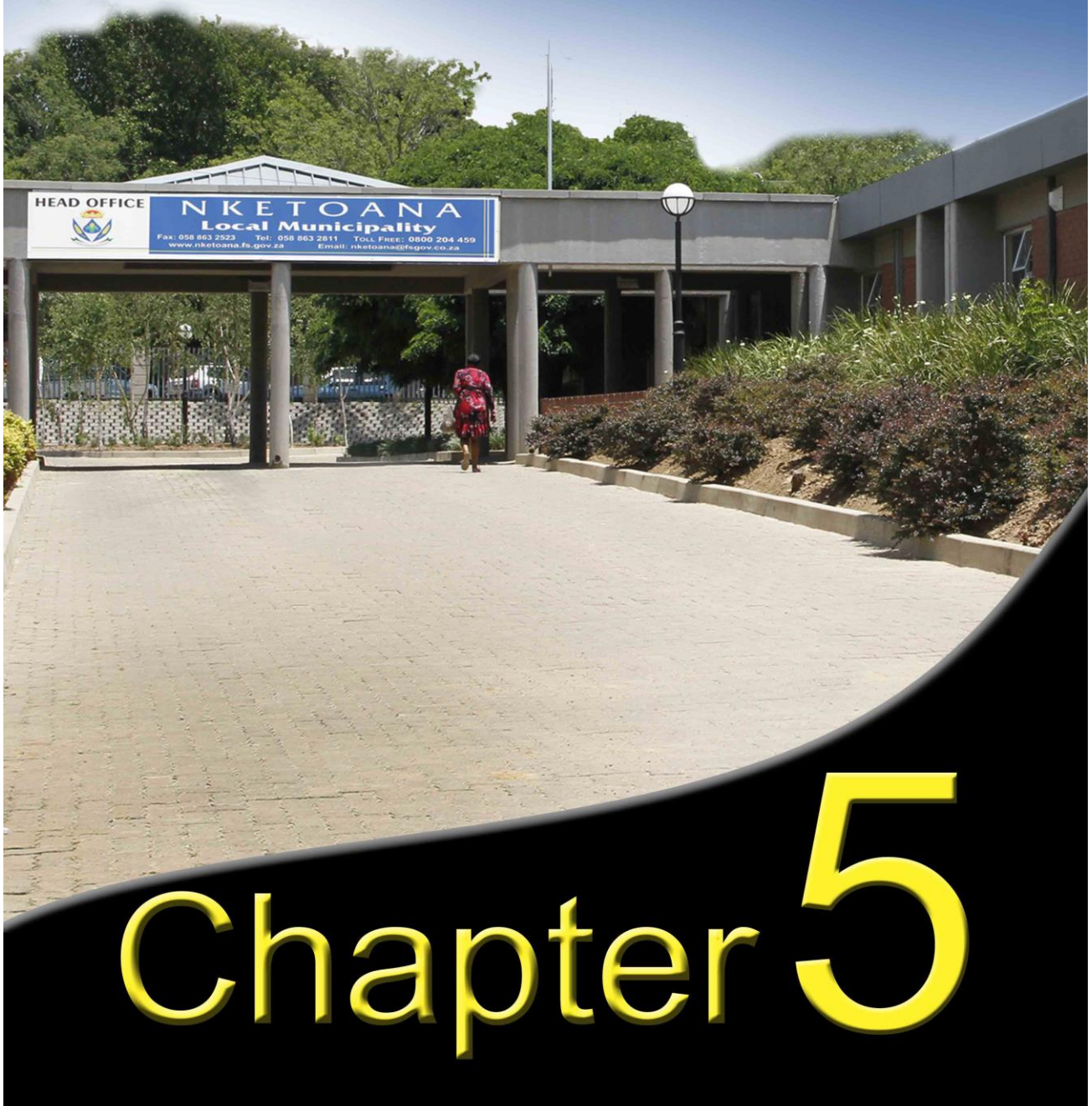
Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. Employee related costs (continued)	991 696	862 455
Remuneration of Executive Director - Community Services		
Annual remuneration	830 770	687 626
Car allowance	79 000	-
Bonus	48 000	-
Other allowances	33 400	104 430
Contributions to UIF, medical and pension funds	35 296	1 785
	1 026 466	793 841
36. Remuneration of councillors		
Salaries	5 046 528	4 934 816
Mayor	579 501	497 886
Bonuses	33 689	31 485
Car and other allowances	1 231 823	1 212 806
	6 891 541	6 676 993
In-kind benefits		
The Mayor and Speaker are full-time employees of the Municipality. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker have the use of Council owned vehicles for official duties.		
The Mayor and Speaker have the use of Council owned laptops and tablets.		
Councillor remuneration is in line with the upper limits that is Gazetted by the Department of Cooperative Governance and the framework envisaged in section 219 of the Constitution.		
Mayor	778 880	697 698
Executive Committee	1 413 860	1 362 972
Councillors	3 037 721	3 079 506
Speaker	630 608	578 333
	5 861 069	5 718 509

Financial Performance



Chapter 5

Statement of Financial Position

Audited Financial Statements

5.1 Statements of Financial Performance

Figure / Table 5.1: Statement of Financial Performance

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	128 350 794	111 255 685
Rental of facilities and equipment	27	331 864	356 580
Interest received (trading)	28	24 391 914	20 201 160
Other income	29	1 475 690	1 073 811
Interest received - investment	30	1 101 572	583 166
Total revenue from exchange transactions		155 651 834	133 470 402
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	16 612 976	15 835 059
Transfer revenue			
Government grants & subsidies	32	145 433 408	145 035 655
Public contributions and donations	33	8 942 783	4 299 995
Fines	34	216 310	205 404
Total revenue from non-exchange transactions		171 205 477	165 376 113
Total revenue		326 857 311	298 846 515
Expenditure			
Employee related costs	35	(80 810 390)	(74 798 709)
Remuneration of councillors	36	(6 891 541)	(6 676 993)
Depreciation and amortisation	37	(58 502 541)	(57 015 081)
Finance costs	38	(10 202 243)	(8 338 647)
Lease rentals on operating lease	39	(5 547 174)	(4 686 484)
Debt Impairment	40	(83 419 298)	(108 567 852)
Repairs and maintenance	41	(18 427 332)	(15 404 523)
Bulk purchases	42	(43 817 910)	(38 934 748)
Contracted services	43	(11 399 862)	(10 758 689)
General Expenses	44	(49 138 817)	(37 729 201)
Total expenditure		(368 157 108)	(362 910 927)
Operating deficit		(41 299 797)	(64 064 412)
Gain on disposal of assets and liabilities	45	-	36 425
Fair value adjustments	46	(25 963)	57 861
Actuarial gains/losses	22	61 000	708 000
		35 037	802 286
Deficit for the year		(41 264 760)	(63 262 126)

Figure / Table 5.2: Statement of Financial Position

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	4	608 278	586 686
Receivables from exchange transactions	5	-	-
Receivables from non-exchange transactions	6	2 119 152	1 953 845
VAT receivable	7	1 763 881	1 763 881
Consumer debtors	8	17 708 530	15 822 490
Cash and cash equivalents	9	3 104 182	2 908 446
		25 304 023	23 035 348
Non-Current Assets			
Biological assets that form part of an agricultural activity	10	24 513	50 476
Investment property	11	13 877 904	13 877 904
Property, plant and equipment	12	1 004 970 006	1 004 475 920
Intangible assets	13	65 598	72 705
Heritage assets	14	529 800	529 800
Other financial assets	15	4 587 776	4 305 805
Long-term deposit	16	2 018 500	2 018 500
		1 026 074 097	1 025 331 110
Total Assets		1 051 378 120	1 048 366 458
Liabilities			
Current Liabilities			
Other financial liabilities	17	1 349 442	1 398 503
Finance lease obligation	18	181 599	-
Payables from exchange transactions	19	163 779 083	113 956 319
VAT payable	20	13 545 356	18 376 667
Consumer deposits	21	1 348 785	1 305 253
Employee benefit obligation	22	422 000	550 000
Unspent conditional grants and receipts	23	92 019	1 091 381
Cash and cash equivalents	9	577 159	1 198 016
		181 295 443	137 876 139
Non-Current Liabilities			
Other financial liabilities	17	7 806 024	8 569 848
Finance lease obligation	18	467 740	-
Employee benefit obligation	22	11 033 000	10 619 000
Provisions	24	8 109 003	7 369 811
		27 415 767	26 558 659
Total Liabilities		208 711 210	164 434 798
Net Assets		842 666 910	883 931 660
Accumulated surplus	25	842 666 910	883 931 660

Figure / Table 5.3: Statement of changes in assets

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	533 187 222	533 187 222
Adjustments		
Correction of errors	414 006 564	414 006 564
Balance at 01 July 2014 as restated*	947 193 786	947 193 786
Changes in net assets		
Deficit for the year	(63 262 126)	(63 262 126)
Total changes	(63 262 126)	(63 262 126)
Opening balance as previously reported	492 774 890	492 774 890
Adjustments		
Correction of errors	391 156 780	391 156 780
Restated* Balance at 01 July 2015 as restated*	883 931 670	883 931 670
Changes in net assets		
Deficit for the year	(41 264 760)	(41 264 760)
Total changes	(41 264 760)	(41 264 760)
Balance at 30 June 2016	842 666 910	842 666 910

5.2 Grants

Figure / Table 5.4: Grants

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
23. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Finance Management Grant	92 019	544 100
Intergrated National Electrification Programme Grant	-	499 281
Expanded Public Works Programme Grant	-	48 000
	92 019	1 091 381
Movement during the year		
Balance at the beginning of the year	1 091 381	3 679 861
Additions during the year	64 824 046	66 406 378
Income recognition during the year	(65 823 408)	(68 994 858)
	92 019	1 091 381

5.3 Assets

Figure / Table 5.5: Assets

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	4	608 278	586 686
Receivables from exchange transactions	5	-	-
Receivables from non-exchange transactions	6	2 119 152	1 953 845
VAT receivable	7	1 763 881	1 763 881
Consumer debtors	8	17 708 530	15 822 490
Cash and cash equivalents	9	3 104 182	2 908 446
		25 304 023	23 035 348
Non-Current Assets			
Biological assets that form part of an agricultural activity	10	24 513	50 476
Investment property	11	13 877 904	13 877 904
Property, plant and equipment	12	1 004 970 006	1 004 475 920
Intangible assets	13	65 598	72 705
Heritage assets	14	529 800	529 800
Other financial assets	15	4 587 776	4 305 805
Long-term deposit	16	2 018 500	2 018 500
		1 026 074 097	1 025 331 110
Total Assets		1 051 378 120	1 048 366 458

5.4 Basic Service Delivery

Figure / Table 5.6: Basic Service Delivery

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
8. Consumer debtors (exchange transactions)		
Gross balances		
Electricity	10 729 772	10 372 710
Water	79 308 078	60 411 229
Sewerage	44 093 387	36 504 198
Refuse	49 345 310	41 088 295
Sundry debtors	133 105 777	109 718 275
Housing rental	340 967	376 781
	316 923 291	258 471 488
Less: Allowance for impairment		
Electricity	(5 758 601)	(4 553 081)
Water	(73 970 239)	(56 171 680)
Sewerage	(42 287 525)	(35 362 578)
Refuse	(47 914 863)	(39 919 782)
Sundry debtors	(128 942 886)	(106 265 358)
Housing rental	(340 647)	(376 519)
	(299 214 761)	(242 648 998)
Net balance		
Electricity	4 971 171	5 819 629
Water	5 337 839	4 239 549
Sewerage	1 805 862	1 141 620
Refuse	1 430 447	1 168 513
Sundry debtors	4 162 891	3 452 917
Housing rental	320	262
	17 708 530	15 822 490
Electricity		
Current (0 -30 days)	3 923 308	5 299 362
31 - 60 days	376 933	258 518
61 - 90 days	281 625	131 101
91 - 120 days	234 431	106 752
121 - 365 days	154 874	23 896
	4 971 171	5 819 629
Water		
Current (0 -30 days)	3 004 638	2 490 670
31 - 60 days	255 394	273 228
61 - 90 days	208 693	182 221
91 - 120 days	168 516	155 290
121 - 365 days	187 166	132 907
> 365 days	1 513 432	1 005 233
	5 337 839	4 239 549
Sewerage		
Current (0 -30 days)	589 345	325 060
31 - 60 days	156 591	160 859
61 - 90 days	130 065	86 937
91 - 120 days	77 940	67 219
121 - 365 days	67 238	58 166
> 365 days	784 683	443 379
	1 805 862	1 141 620

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
8. Consumer debtors (exchange transactions) (continued)		
Refuse		
Current (0 -30 days)	340 328	320 544
31 - 60 days	131 109	137 804
61 - 90 days	108 934	88 050
91 - 120 days	80 730	70 116
121 - 365 days	71 183	60 443
> 365 days	698 163	491 556
	1 430 447	1 168 513
8. Consumer debtors (exchange transactions) (continued)		
Sundry debtors		
Current (0 -30 days)	1 556 905	985 997
31 - 60 days	446 582	400 269
61 - 90 days	430 416	320 603
91 - 120 days	383 191	370 600
121 - 365 days	398 181	415 916
> 365 days	947 616	959 532
	4 162 891	3 452 917
Housing rental		
> 365 days	320	262

Component A: Capital Budget

Figure / Table 5.7: Capital expenditure by Vote, standard classification and source of funding

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
49. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment - infrastructure	71 428 554	52 371 281
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment - infrastructure	25 899 000	57 873 000
Total capital commitments		
Already contracted for but not provided for	71 428 554	52 371 281
Not yet contracted for and authorised by accounting officer	25 899 000	57 873 000
	97 327 554	110 244 281
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure	63 578 434	70 409 857
Not yet contracted for and authorised by accounting officer		
• Expenditure	60 126 818	15 592 491
Total operational commitments		
Already contracted for but not provided for	63 578 434	70 409 857
Not yet contracted for and authorised by accounting officer	60 126 818	15 592 491
	123 705 252	86 002 348
Total commitments		
Total commitments		
Authorised capital expenditure	97 327 554	110 244 281
Authorised operational expenditure	123 705 252	86 002 348
	221 032 806	196 246 629
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	1 547 105
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	71 826	142 479
- in second to fifth year inclusive	139 994	218 958
- later than five years	128 328	170 135
	340 148	531 572

Certain of the municipality's equipment is held to generate rental income. There are no contingent rents receivable.

12. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 838 185	-	17 838 185	17 838 185	-	17 838 185
Buildings	223 933 949	(111 575 446)	112 358 503	210 660 859	(106 058 821)	104 602 038
Infrastructure	1 472 840 952	(766 095 135)	706 745 817	1 453 939 129	(715 568 439)	738 370 690
Other property, plant and equipment	16 675 764	(8 237 714)	8 438 050	16 898 707	(6 976 439)	9 922 268
Landfill sites	21 868 937	(1 763 924)	20 105 013	21 868 937	(1 118 196)	20 750 741
Leased assets	649 339	(17 197)	632 142	-	-	-
Work-in-progress	138 852 296	-	138 852 296	112 991 998	-	112 991 998
Total	1 892 659 422	(887 689 416)	1 004 970 006	1 834 197 815	(829 721 895)	1 004 475 920

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 838 185	-	-	-	-	17 838 185
Buildings	104 602 038	-	-	13 273 090	(5 516 625)	112 358 503
Infrastructure	738 370 690	-	-	18 901 824	(50 526 697)	706 745 817
Other property, plant and equipment	9 922 268	864 458	(587 073)	-	(1 761 603)	8 438 050
Landfill sites	20 750 741	-	-	-	(645 728)	20 105 013
Leased assets	-	649 339	-	-	(17 197)	632 142
Work-in-progress	112 991 998	58 035 212	-	(32 174 914)	-	138 852 296
	1 004 475 920	59 549 009	(587 073)	-	(58 467 850)	1 004 970 006

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 838 185	-	-	-	-	17 838 185
Buildings	110 009 131	-	-	-	(5 407 093)	104 602 038
Infrastructure	763 355 856	-	-	24 444 420	(49 429 586)	738 370 690
Other property, plant and equipment	10 068 953	1 402 635	-	-	(1 549 320)	9 922 268
Landfill sites	6 599 468	-	-	14 751 509	(600 236)	20 750 741
Work-in-progress	108 012 267	44 175 660	-	(39 195 929)	-	112 991 998
	1 015 883 860	45 578 295	-	-	(56 986 235)	1 004 475 920

Component B: Cash Flow Management and Investments

5.5 Cash flows

Figure / Table 5.8: Cash flows

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Taxation		16 673 984	15 835 059
Sale of goods and services		69 183 916	54 705 719
Grants		153 427 832	139 771 682
Interest income		1 101 572	583 166
		240 387 304	210 895 626
Payments			
Employee costs		(87 354 931)	(81 031 940)
Suppliers		(82 578 504)	(72 329 583)
Finance costs		(10 202 243)	(8 338 647)
		(180 135 678)	(161 700 170)
Net cash flows from operating activities	48	60 251 626	49 195 456
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(59 549 009)	(45 578 295)
Proceeds from sale of property, plant and equipment	12	587 073	36 425
Purchase of other intangible assets	13	(27 582)	(19 666)
Movement in financial assets		(281 971)	306 724
Net cash flows from investing activities		(59 271 489)	(45 254 812)
Cash flows from financing activities			
Repayment of other financial liabilities		(812 885)	(1 348 909)
Movement in finance lease liability		649 339	-
Net cash flows from financing activities		(163 546)	(1 348 909)
Net increase/(decrease) in cash and cash equivalents		816 591	2 591 735
Cash and cash equivalents at the beginning of the year		1 710 430	(881 306)
Cash and cash equivalents at the end of the year	9	2 527 021	1 710 429

5.6 Investments

Figure / Table 5.9: Investments

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016		2015	
11. Investment property				
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
				Accumulated depreciation and accumulated impairment
				Carrying value
Investment property	13 877 904	-	13 877 904	13 877 904
				-
				13 877 904
Reconciliation of investment property - 2016				
	Opening balance	Additions	Disposals	Total
Investment property	13 877 904	-	-	13 877 904
Reconciliation of investment property - 2015				
	Opening balance	Additions	Disposals	Total
Investment property	13 877 904	-	-	13 877 904
30. Investment revenue				
Interest revenue				
Bank			1 100 347	583 166
Interest received - other			1 225	-
			1 101 572	583 166

5.7 Borrowing

Figure / Table 5.10: Borrowing

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
17. Other financial liabilities		
At amortised cost		
Bank loan	7 231 214	6 889 142
The Development Bank of Southern Africa Limited		
Bank loan	1 222 090	1 153 659
The Development Bank of Southern Africa Limited		
Other loan	702 162	1 925 550
Grainfield Chickens Proprietary Limited		
	9 155 466	9 968 351
Total other financial liabilities	9 155 466	9 968 351
Development Bank of South Africa		
Loan 1		
The original loan amount was R 9,600,000 repayable over a 20 year period with a redemption date of 31 December 2024.		
Loan 2		
The original loan amount was R 1,600,000 repayable over a 20 year period with a redemption date of 31 December 2024.		
Grainfield Chickens		
Interest charged is linked to the prime interest rate. Monthly municipal fees are deducted as repayments on the loan.		
In 2015/2016 all repayments on the DBSA loans were not made as per loan agreement. The default was not remedied and the terms were not renegotiated before the financial statements were authorized for issue.		
Non-current liabilities		
At amortised cost	7 806 024	8 569 848
Current liabilities		
At amortised cost	1 349 442	1 398 503

Component C: Disclosure of Staff Remuneration

Figure / Table 5.11: Disclosure of staff remuneration

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. Employee related costs		
Basic	51 703 164	48 176 825
Bonus	3 317 436	3 498 891
Medical aid - company contributions	1 973 601	2 097 075
UIF	543 300	477 511
WCA	139 326	146 853
SDL	711 289	755 745
Leave pay and bonus provision	373 817	195 232
SALGA contributions	39 652	33 820
Defined contribution plans	996 000	975 000
Travel, car, accommodation, subsistence and other allowances	2 815 066	2 422 583
Overtime payments	5 260 317	4 476 540
Acting allowances	1 395 940	473 715
Housing benefits and allowances	419 862	406 791
Pension	8 668 340	8 488 640
Standby allowances	1 677 552	1 437 283
Telephone and other allowances	775 728	736 205
	80 810 390	74 798 709

The leave pay and bonus provision amounting to R 373 817 (2015: R 195 232) comprises of the movements in the leave and bonus provisions year on year. Please refer to note 19 for more detail on these provisions.

Remuneration of Executive Directors

Remuneration of Accounting Officer

Annual remuneration	851 970	776 065
Car allowance	192 000	-
Bonus	89 000	-
Other allowances	130 651	280 200
Contributions to UIF, medical and pension funds	255 487	33 300
	1 519 108	1 089 565

Remuneration of Acting Chief Financial Officer

Annual remuneration	299 374	279 789
Acting allowance	283 265	89 340
Car allowance	130 662	-
Bonus	24 948	-
Other allowances	19 378	-
Contributions to UIF, medical and pension funds	160 942	101 204
	918 569	470 333

Remuneration of Executive Director - Corporate Services

Annual remuneration	858 545	730 826
Acting allowance	15 600	-
Car allowance	36 000	-
Bonus	52 500	-
Other allowances	122 312	66 229
Contributions to UIF, medical and pension funds	-	4 256
	1 084 957	801 311

Remuneration of Executive Director - Technical Services

Annual remuneration	682 669	593 550
Car allowance	133 333	-
Bonus	49 462	-
Other allowances	122 663	268 905
Contributions to UIF, medical and pension funds	3 569	-

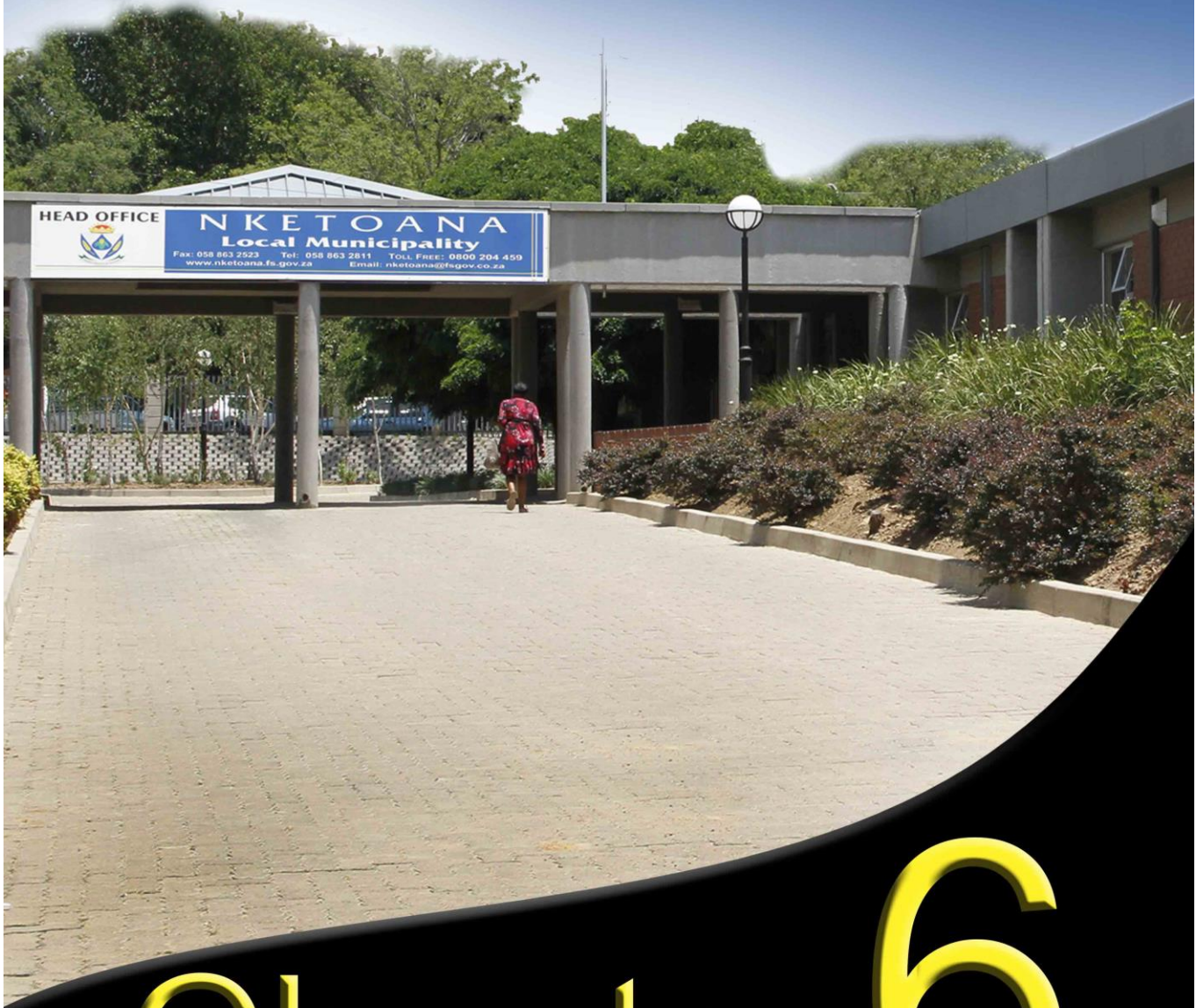
Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. Employee related costs (continued)	991 696	862 455
Remuneration of Executive Director - Community Services		
Annual remuneration	830 770	687 626
Car allowance	79 000	-
Bonus	48 000	-
Other allowances	33 400	104 430
Contributions to UIF, medical and pension funds	35 296	1 785
	1 026 466	793 841
36. Remuneration of councillors		
Salaries	5 046 528	4 934 816
Mayor	579 501	497 886
Bonuses	33 689	31 485
Car and other allowances	1 231 823	1 212 806
	6 891 541	6 676 993
In-kind benefits		
The Mayor and Speaker are full-time employees of the Municipality. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker have the use of Council owned vehicles for official duties.		
The Mayor and Speaker have the use of Council owned laptops and tablets.		
Councillor remuneration is in line with the upper limits that is Gazetted by the Department of Cooperative Governance and the framework envisaged in section 219 of the Constitution.		
Mayor	778 880	697 698
Executive Committee	1 413 860	1 362 972
Councillors	3 037 721	3 079 506
Speaker	630 608	578 333
	5 861 069	5 718 509

Report of the Auditor General 2014/ 2015 Financial Year



Chapter 6

Component A: Report of the Auditor-General 2014/15

Report of the auditor-general to the Free State Legislature and the council on the Nketoana Local Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Nketoana Local Municipality set out on pages : to , which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Property, plant and equipment

6. The municipality did not review the residual values and useful lives of infrastructure assets at each reporting date in accordance with SA Standards of GRAP, GRAP 17 *Property, plant and equipment*. As a result, infrastructure assets with a gross carrying amount of R133 168 716 (2014: R133 168 716) were valued at a zero net carrying amount while still being in use. I was not able to determine the impact on the net carrying amount of infrastructure assets as it was impracticable to do so. Furthermore all assets were not recorded in the asset register and certain assets that were recorded in the asset register could not be found. Consequently, property, plant and equipment were understated by R92 302 691. Additionally, there was a resultant impact on the deficit for the period and on the accumulated surplus.

Aggregation of immaterial uncorrected misstatements

7. The financial statements were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following items included in the statement of financial position, the statement of financial performance and the notes to the financial statements:
 - Current assets reflected as R62 274 427 were understated by R3 684 957.
 - Non-current assets reflected as R588 233 577 were overstated by R149 500.
 - Current liabilities reflected as R135 065 773 were overstated by R530 182.
 - Revenue reflected as R287 905 149 was understated by R2 864 788.
 - Expenditure reflected as R328 411 769 was understated by R2 166 818.

Qualified opinion

8. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs the financial statements present fairly, in all material respects, the financial position of the Nketoana Local Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unauthorised expenditure

10. As disclosed in note 51 to the financial statements, the municipality incurred unauthorised expenditure of R5 361 768 (2014: R13 227 353). The unauthorised expenditure was incurred as a result of an improper budgeting process.

Irregular expenditure

11. As disclosed in note 53 to the financial statements, the municipality incurred irregular expenditure of R26 178 926 (2014: R34 014 272). The irregular expenditure was as a result of contravention of the supply chain management regulations.

Material losses

12. As disclosed in note 36 to the financial statements, material losses to the amount of R50 745 983 (2014: R41 712 998) were incurred as a result of a write-off of irrecoverable trade debtors without council approval.
13. As disclosed in note 54 to the financial statements, the municipality incurred material losses to the value of R5 463 500 (2014: R4 318 449) as a result of electricity distribution losses.

Material impairments

14. As disclosed in note 7 to the financial statements, a provision for impairment of R225 045 597 (2014: R208 898 712) has been made with regard to consumer receivables from exchange transactions of R257 808 213 (2014: 239 109 888).

Going concern

15. Note 50 to the financial statements indicates that the Nketoana Local Municipality incurred a net loss of R40 312 334 (2014: R75 463 937) during the year ended 30 June 2015 and, as of that date, the municipality's current liabilities exceeded its current assets by R72 791 346. These conditions, along with other matters as set out in note 50, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to meet its financial obligations as they fall due and achievement of service delivery as outlined in the annual performance plan..

Restatement of corresponding figures

16. As disclosed in note 48 to the financial statements, the corresponding figures for 30 June 2014 were restated as a result of errors discovered during 2014-2015 in the financial statements of the Nketoana Local Municipality at, and for the year ended, 30 June 2014.

Additional matters

17. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure note

18. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected key performance areas (KPA) presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

20. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2015:
- KPA1: Basic service delivery on pages x to x
21. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
22. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned KPA. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
23. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
24. I did not raise material findings on the usefulness and reliability of the reported performance information for the following key performance area:
- KPA1: Basic service delivery

Additional matters

25. I draw attention to the following matters:

Achievement of planned targets

26. Refer to the annual performance report on page x to x for information on the achievement of the planned targets for the year.

Unaudited supplementary schedules

27. The supplementary information set out on pages xx to xx does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

28. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. Material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual report

29. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, non-current liabilities, current liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected or the supporting records were provided, but the uncorrected material misstatements that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Audit committee

30. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by municipal planning and performance management regulation 14(4)(a)(iii).

Internal audit

31. The internal audit unit did not function as required by section 165(2) of the MFMA in that it did not advise the accounting officer and report to the audit committee on matters relating to internal controls, accounting procedures and practices and risk and risk management.

Procurement and contract management

32. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, as required by supply chain management (SCM) regulation 17(a) and (c).
33. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).
34. Contracts were awarded to and quotations were accepted from bidders who had not submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
35. Persons in the service of the municipality who had a private business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e), the code of conduct for councillors issued in terms of the Municipal Systems Act (MSA) and the code of conduct for staff members issued in terms of the MSA.
36. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

Human resource management and compensation

- 37. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by regulations 14(2)(b) and 14(3) of the *Municipal regulations on minimum competency levels*..
- 38. Job descriptions were not established for all posts in which appointments were made in the current year, in contravention of section 66(1)(b) of the MSA.

Expenditure management

- 39. Reasonable steps were not taken to prevent unauthorised, irregular, as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
- 40. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Revenue management

- 41. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
- 42. A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.

Conditional grants received

- 43. The municipality did not evaluate its performance in respect of programmes or functions funded by the municipal infrastructure grant, the local government financial management grant and the municipal systems improvement grant allocation, as required by section 12(5) of DoRA.

Asset management

- 44. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA .
- 45. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Consequence management

- 46. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.

Internal control

- 47. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported

below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

48. The leadership did not always take timeous and adequate action to address weaknesses in the finance and supply chain management directorate, which resulted in non-compliance with applicable legislation and gave rise to fruitless and wasteful and irregular expenditure. Integrity and ethical values were not adequate to prevent material irregular expenditure and to set the standard of sound corporate governance.
49. Deviations from the expected standards of conduct were not followed up to ensure that remedial or disciplinary action was taken in a timely and consistent manner. Overriding of internal controls occurred, which resulted in irregular expenditure. Value for money was not always obtained, which resulted in potential cases of fraud to be investigated by management.
50. Consequence management was not effective as the council did not investigate instances of unauthorised, irregular, fruitless and wasteful expenditure to determine whether any person was liable for the expenditure as the council neglected to appoint a committee to investigate the expenditure.
51. Key management positions were vacant during the year under review. Management did not implement effective human resource management to ensure that competent and sufficiently skilled officials are appointed and performance is monitored.
52. The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evident in the failure of management to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause. This resulted in a recurrence of prior year audit findings.
53. Leadership did not evaluate the implementation of effective internal controls by ensuring proper records management, maintenance of an asset register and preparation of the annual financial statements.

Financial and performance management

54. There was a material breakdown of the internal controls at the municipality. The weak control environment led to monthly and daily controls not being implemented and monitored.
55. Compliance with laws and regulations is not monitored on a regular basis and non-compliance is not addressed in a timely manner as management did not implement the action plan on the prior year findings.
56. The financial statements were subject to material corrections resulting from the audit process, which are attributable to weaknesses in the design and implementation of internal control in respect of financial management and financial reporting and weaknesses in the information systems of the municipality, mainly due to vacancies in key positions.

Governance

57. Management's failure to perform a risk assessment for the year under review and the appointment of the internal auditor as acting chief financial officer hampered the productivity and reliability of the work of the internal audit section.

Other reports

Investigations

58. An investigation was conducted by independent forensic auditors at the request of the bank regarding alleged fraudulent transactions which occurred between 22 and 25 October 2010 on two of the municipality's bank accounts. The bank indicated in a letter Ref. 2030906 dated 2 August 2013 that they are not liable for the loss. Management did not take any action and no evidence could be provided of efforts by the municipality to recover the money or to follow up on the investigation since August 2013. The amount that was not recovered is R1 780 000.
59. An investigation was being conducted by the South African Police Service (SAPS) into alleged fraudulent procurement transactions between the 2009 and 2012 financial years. Supporting documentation has been seized by the SAPS. The investigation commenced towards the end of the 2013 financial year. The investigation was still ongoing at the reporting date.

Bloemfontein

30 November 2015



Component B: Action plan: 2014/15

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
1. EX.104 - Fruitless and wasteful expenditure: PAYE, UIF and SDL (EX.104)	Contrary to the above, the declarations of PAYE, SDL & UIF was not submitted before the 7th of the following month for the following periods:(refer to ML) The payments of PAYE, SDL & UIF were not made before the 7th of the following month for the following periods (refer to ML) The following penalties and interest was levied due to the late submission and payment of PAYE, SDL & UIF and was not included in the disclosure of fruitless and wasteful expenditure in the annual financial statements: (refer to ML)	Financial and performance management: Management did not implement controls over the identification and recording of fruitless and wasteful expenditure .	Management should ensure that PAYE, UIF & SDL are submitted and paid over to SARS within 7 days after the end of the month during which the amount was deducted Management should inspect the statement of accounts received from SARS to determine if there are penalties and interest that needs to be disclosed and accounted for..	All matters related to PAYE,SDL and UIF for the year 2015/16 have been paid on 7 th of each and every month.	Implemented	Chief Financial Officer

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1. EX.166 - Irregular expenditure - Insufficient documentation and incorrect accounting of VAT (EX.166)	Contrary to the above, the following was noted during the testing performed on the irregular expenditure;1. The following irregular expenditure adjustments were not supported with documentation and were not included in the disclosure of irregular expenditure at financial year end:(refer to ML) 2. The following transactions, considered by management to be irregular expenditure, were not supported with documentation and were not included accurately in the calculation of total irregular expenditure during the current financial year.(refer to ML)3. The following transactions were incorrectly accounted for in the calculation of the total irregular expenditure during the year.(refer to ML)	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should inspect the irregular expenditure ledger on a regular basis and reconcile the transactions with supporting documentation. Management should inspect the transactions accounted for as irregular expenditure and ensure that the VAT thereof was accounted for accurately.	All irregular expenditure transactions will be investigated and all irregular expenditure will be included on the irregular expenditure register.	In Progress	Chief Financial Officer
EX.167 - Irregular expenditure - Adjusting journal incorrectly calculated (EX.167)	Contrary to the above, it was identified that the irregular expenditure adjusting journal was incorrectly calculated as follows:(refer to ML)	Leadership: Management did not exercise their oversight responsibility regarding financial and performance reporting, compliance and related	Management should review adjusting journals on a regular basis to ensure that the adjustments are accounted for accurately.	Investigation will be done and calculation will be done accordingly.	In Progress	Chief Financial Officer

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
		internal controls				
101. EX.177 - Unauthorized, fruitless, wasteful and irregular expenditure: Disclosure & presentation deficiencies (EX.177)	Contrary to the above it was noted that the disclosure and presentation of unauthorized, fruitless, wasteful and irregular expenditure in notes 49 to 51 in the financial statements was not in accordance with the requirements of section 125(2)(d) of the MFMA.	Leadership: Management did not exercise their oversight responsibility regarding financial and performance reporting, compliance and related internal controls.	Management should review the financial statements and disclose and present the unauthorized, fruitless, wasteful and irregular expenditure according to the reporting requirements of section 125(2)(d) of the MFMA.	Any unauthorized and fruitless expenditure will be investigated and proper procedures be followed.	In Progress	SCM
1. EX.106 - Land not recorded in the asset register (EX.106)	Assets not included on the asset register	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should reconcile the land per valuation roll to the asset register.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters		ASSET

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1. EX.107 - Components not depreciated separately (EX.107)	Contrary to the above the following project were completed but components are not depreciated separately:(refer to ML)	Projected completed, but not depreciated	The asset management should be updated and the municipality should unbundle (separate) the assets into the various components for separate recognition without changing the total value of the asset including components as originally recognised.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management Unit
ex.112	Contrary to the above the following were identified during the review of completed and transferred projects: 1. Amount of R13 759 735,35 relating to Mamafubedu road paving project was transferred from work in progress to fixed asset register despite being completed and transferred to fixed asset in a prior year, the amount of R4000 000 had already transferred out and capitalised relating to this project. The assets are overstated by R4 000 000. 2. The amount of R456 140,35 excluding VAT was spent on Ntha road paving in current year however this amount has not been transferred into fixed asset register as part of completed project. The assets will	Financial performance management	Monthly reconciliation should be performed between the asset register and general ledger for projects under construction in collaboration with Project Management Unit.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	ASSETS Management Unit/CFO

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	therefore be understated by R456 240,35.					
1. EX.116 - Immovable assets: Invoices incorrectly capitalised in work in progress assets (EX.116)	Contrary to the above, management has incorrectly capitalised the operating cost (maintenance services) to the work in progress assets (WIP). The details are as follows:(refer to MR)	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management unit/CFO
1. EX.122 - Difference between PMU expenditure schedule and general ledger (EX.122)	Contrary to the above, differences were identified between the expenditure incurred on the project per Project Management Unit schedule and amount added to work in progress per the general ledger.(refer to MR) Furthermore the	Leadership : The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and	Management should appropriately review the annual financial statements before submission for audit purposes to ensure that all the contents thereto are accurately reported and disclosed and ensure that	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	ASSETS CFO

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	differences between the amount added into work in progress asset in a current year and grant amount transferred to revenue per financial statement were identified. The details are as follows:(refer to MR)	compliance and related internal controls	all supporting schedules corroborate the amounts disclosed as per the annual financial statements.			
EX.128 - Prior year follow-up Non-current assets held for sale (EX.128)	Contrary to the above whilst auditing non-current assets held for sale it was noted that some buyers have occupied the stands and have built houses/structures on the premises. Upon inspection of the financial statements, it was noted that the municipality has recognised a carrying amount R1 595 264 relating to land that has already been sold to individuals.	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should ensure that the land that has been transferred to the beneficiary but title has not been transferred should be derecognised and should no longer be disclosed in the financial statements and the assets should also be derecognised from the asset register.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management/CFO
1. EX.33 - Inappropriate useful life of the assets (EX.33)	Contrary to the above, while reviewing the accumulated depreciation it was noted that management have not been reviewing useful life of the assets, i.e. the total future depreciation based on remaining useful life is higher than the current year carrying amount of the assets. The following serve as examples:(refer to MR)	Contrary to the above, while reviewing the accumulated depreciation it was noted that management have not been reviewing useful life of the assets, i.e. the total future depreciation based on	Management should review the useful life, residual value and accumulated depreciation of all classes of assets and make appropriate adjustments supported by sufficient documentation of the process undertaken. Furthermore management should review useful life of all other assets as per	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	ASSETS Management Unit/CFO

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
		remaining useful life is higher than the current year carrying amount of the asset	GRAP 17, even though the above circumstance is not evident on the assets.			
18. EX.39 - Differences in accumulated depreciation on opening balance (EX.39)	Contrary to the above the following differences were noted during the recalculation of opening accumulated depreciation for 2014/2015 financial year: (refer to MR)	Leadership: The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management should ensure that useful life of the asset is accurately determined and depreciation method correctly applied and calculations apportioned where applicable, furthermore management should review the whole population and correct.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset management /CFO
19. EX.62 - Infrastructure and community assets that could not be physically verified (EX.62)	Contrary to the above the following assets could not be physically verified. (refer to MR)	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should implement the following measures: (a) Assets counts are performed annually. (b) Senior official should review the asset register to ensure all the necessary fields are recorded as evidence that asset count has been performed. (c) Senior official should attend the asset counts on an ad hoc basis to ensure that asset count is performed as agreed.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management unit/CFO

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
20. EX.65 - Property plant and equipment : Duplicate d assets (EX.65)	Contrary to the above, two different barcodes were identified on same asset during asset verification. Details of the barcodes per asset register are as follows (refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should ensure that an asset count is performed and reconciled to the asset register on a regular basis.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management unit/CFO
21. EX.76 - Property, plant and equipment - Deficiency in asset register (EX.76)	Contrary to the above, upon scrutinising the asset register duplicated barcodes were identified. The following serve only as the examples of duplicated barcodes identified:(refer to MR)	Leadership: The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should review the whole population and investigate all duplicated items and ensure only unique barcodes are recorded in the asset register. Any adjustments to the asset register should be communicated to the auditor.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management unit/CFO
22. EX.90 - PPE: Follow up prior year, Immovable assets that could not be physically verified (EX.90)	Contrary to the above, the following assets could not be physically verified, (refer to MR)	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible	Management should ensure that an asset count is performed and reconciled to the asset register on a regular basis.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management unit/CFO

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		and available to support financial and performance reporting				
23. EX.99 - Infrastructure and community assets not recorded (EX.99)	Contrary to the requirement, during the completeness testing of the assets it was noted that the following assets were not included in the register:(refer to MR)	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should ensure that asset count is performed and reconciled to the asset register on a regular basis.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management unit/CFO

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103. EX.20 - Property, plant and equipment : Differences between Appendix B and Asset register (EX.20)	1. Contrary to the above, the following differences were identified between Appendix B and Notes to financial statements (refer to MR)2. The following differences were identified between Appendix B of Financial Statements and asset register	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should implement the necessary controls to ensure that the financial statement and supplementary schedules are consistent, accurate and complete.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management unit/CFO
105. EX.47 - Difference between asset register and financial statements (EX.47)	The following differences were identified between the asset register and the financial statements (refer to MR)	Financial and performance management: Management did not implement controls over daily and monthly processing and reconciliation of monthly transactions.	A reconciliation between the asset register and the financial statement should be regularly performed and reviewed by management.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters	In Progress	Asset Management unit/CFO
107. EX.61 - Property, plant and equipment : Assets not in working	Contrary to the above, it was identified that the following assets were not in a working order, the Arlington railway plant is no longer in	Financial and performance management: Management did not	Management should implement proper and sound asset management to ensure continuous physical assessment of the municipality's	All PPE related matters will be investigated, and updated and consultant	In Progress	Asset Management unit/CFO

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order (EX.61)	operation and the borehole has not been used for number of years as the borehole is no longer producing water.(refer to MR)	implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.	assets is performed in order to identify assets that have impairment indicators. Furthermore both the impairment indicator assessment and detailed calculation should be reviewed by a senior official.	will be appointed to verify assets related matters		
108. EX.98 - PPE: Monthly reconciliation not performed (EX.98)	Contrary to the above, management does not perform monthly reconciliation between general ledger and fixed asset register relating to asset under construction.	Financial and performance management: Management did not implement controls over monthly processing and reconciling of transactions.	Management should ensure that reconciliations between asset register and the general ledger are performed on a monthly basis to timely identify any discrepancies	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters.	In Progress	Asset Management unit/CFO
149. EX.64 - Property plant and equipment : Deficiencies identified in the asset register (EX.64)	Contrary to the afore-mentioned the following was noted: (a) During the audit of fixed assets, it was identified that the auditee does not maintain adequate fixed asset register as the following fields were not included in the fixed asset register; • Method of financing • Depreciation method	Leadership: The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management should ensure that they adequately maintain asset register to ensure completeness and accuracy thereof. Management should ensure that all relevant fields are included in the asset register. As the above serve only as examples, management are urged to do a complete verification and correction.	All PPE related matters will be investigated, and updated and consultant will be appointed to verify assets related matters.	In Progress	Asset Management unit/CFO

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	• Depreciation rate • Physical conditions • Asset unique number: Barcode and Serial number (b) In the following instances that serve as examples only it was noted that the locations of assets were not indicated in the assets register. (refer to MR)					
1. EX.137 - Supply chain management: Goods and services are procured by the municipality without authorized processes (EX.137) (EX.137)	Contrary to the above mentioned requirement the following issues were identified:	Leadership: Management did not exercise oversight responsibility regarding financial, performance reporting and compliance.	The Supply Chain manager should ensure that goods and services are procured through an authorized procurement process.	For the financial year 2015/16, all transaction has been authorized on the system.	In Progress	Chief Financial Officer
28. EX.141 - Unauthorized expenditure understated (EX.141)	Contrary to the above the following components of expenditure exceeded the approved budget: (refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control.	The management agrees with the finding, however when the municipal budget is prepared it is guided by circular from the National Treasury, but when decision is made by the bargaining, you will find that the percentage offered by the bargaining council is higher than the one that was prescribed National Treasury circular differ.	Investigation will be done and all unauthorized expenditure will be disclosed on the AFS.	Implemented	Supply Chain Management

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31. EX.156 - SCM: R10 000 to R30 000	The lowest quotation of R28 215 (Lasou Skillware Consulting) was not excepted although marked on the evidence that's part of the payment advice. The second lowest supplier at R29 925 (Ketsweletsi KK Trading) was used, but unexpectedly only R27 360 was paid. Objective criteria were not given to justify that reasonable grounds existed not to select the supplier with the lowest quotation and no deviation was approved or disclosed. Therefore this is regarded as irregular expenditure.	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control.	Management should investigate the matter and report on it correctly.	Management will ensure that the lowest supplier is being awarded, if not lowest supplier is not awarded the reasons for deviation will be stated on the payment voucher and disclosed on the financial statement	Control implemented	Supply Chain Management
32. EX.157 - SCM: Procurement process and deviation (R30 000 - R200 000) (EX.157)	Contrary to the above, three quotations were not received and/or a deviation process was also not followed for the following payments nor disclosed in the annual financial statements:	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control.	Management should investigate and correctly disclose the irregular expenditure in the financial statements.	Management will make sure that the process is followed where there are no three quotations deviations will be attached and seven days notice process will be followed and be evaluated accordingly.	Control implemented	Supply Chain Management

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33. EX.158 - SCM: Procurement Need and economy (R30 000 - R200 000) (EX.158)	Contrary to the above it could not be established if the following payments made can be seen as economical as three quotations were not received to ensure that the lowest and best price for the service or goods was paid:(refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control.	Management should ensure that in all instances the SCM process are complied with throughout the financial year.	Management will make sure that process are followed where there is no three quotations deviations will be attached and seven days notice process will be followed and be evaluated accordingly.	Control implemented	Supply Chain Management
34. EX.159 - SCM: Invitation and receipt of quotations (R30 000 - R200 000) (EX.159)	Contrary to the above evidence could not be submitted that the request for quotations was advertised for at least seven (7) days on the website and official notice board of the municipality for the following:(refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should implement proper controls to ensure that the advertisements for the request for quotations are advertised and the advertisement date is clearly visible so as to ensure compliance with SCM Regulations.	Management will make sure that process are followed where there is no three quotations deviations will be attached and seven days notice process will be followed and be evaluated accordingly.	Control implemented	Supply Chain Management
35. EX.161 - SCM: Evaluation - points and functionality (R30 000 - R200 000) (EX.161)	Contrary to the above it was noted that for the following suppliers no evidence could be supplied that a preference point system was followed with all the necessary information to substantiate the points given: (refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should implement proper controls to ensure that all quotes are evaluated in accordance with the PPPF Act.	Management will make sure that process are followed where there is no three quotations deviations will be attached and seven days notice process will be followed and be evaluated accordingly.	Control implemented	Supply Chain Management

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36. EX.163 - F&W Expenditure: Fruitless and wasteful expenditure understated (EX.163)	Contrary to the above the following components of expenditure were not disclosed as fruitless and wasteful expenditure: 1) Identified by auditee but not disclosed in the financial statements:(refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control.	Management should correct the disclosure note for fruitless and wasteful expenditure.	Investigation will be done and all fruitless expenditure will be disclosed on the AFS	In Progress	Chief Financial Officer
37. SCM: Competitive bidding - Bid adjudication committee (EX.170)	Contrary to the above requirement, it was identified that, for the tenders listed below, the bid adjudication committee did not consist of four senior managers and not in all cases consisting of a senior SCM practitioner and the chief financial officer was also not part of the bid adjudication committee in all instances:(refer to MR)	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should implement proper controls to ensure that the bid adjudication committee consists of all the required members.	Adjudication committee is now inclusive of four senior management .	Implemented	Municipal Manager

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39. EX.176 - SCM: Effective internal monitoring (EX.176)	Contrary to the above it was noted that there is not an effective internal monitoring system to determine, on the basis of a retrospective analysis, whether the authorised SCM processes are being followed and whether the desired objectives are being achieved that could be supplied to audit. Further based on the exceptions raised for the year under review regarding SCM it seems as SCM is not achieving the desired outcomes.	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management must ensure proper compliance with all aspects of the applicable regulations.	System description of each and every section within finance section to address internal control deficiencies.	In Progress	Supply Chain Management
41. EX.182 - Purchases and payables understated (EX.182)	Contrary to the above during the testing of recurring expenses the following were discovered: 1. The Municipality claimed more VAT input on Eskom account payments than what they are supposed to. The details are as follows:	Financial and performance management - Management did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.	Management should investigate the above transactions and perform the necessary correcting entries. All supporting journals should be provided for auditing.	Discussion will be done with the Maxprof tax consultant regarding the above mentioned matter.	In Progress	Chief Financial Officer

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42. EX.80 - Repairs and maintenance: Incorrect classification (EX.80)	Contrary to the above, during the review of repair and maintenance account it was noted that the cost of supply, installing and connecting water meters were incorrectly classified as repairs and maintenance instead of being capitalised as assets:(refer to MR)	Leadership: The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should ensure all the expenditures are captured in the correct vote and proper review processes is implemented.	All transactions that has been included as repairs will be investigated and corrected accordingly.	In Progress	Chief Financial Officer
111. EX.117 - Expenditure: Incorrect classification and limitation of scope (EX.117)	Contrary to the above requirements, the following discrepancies were identified. 1. It was found that the below mentioned expenses were incorrectly classified as operating leases (as per vote numbers 290/291):2. The following contracts were not submitted to the auditors for audit: (refer to MR)	Leadership: The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should ensure that: 1. All expenditure disclosed in the financial statements is correctly classified. 2. All documents requested by the auditors are submitted on time.	Processing of staff to be trained on the classification of transactions	In Progress	Expenditure and Budget Manager
112. EX.118 - Grants expenditure - Expenditure invoices recorded twice (EX.118)	Contrary to the above it was noted that supporting documentation for the following invoices was recorded twice:	Financial and performance management: Management did not prepare regular, accurate and complete financial and performance	Management should perform proper monthly reconciliations between the general ledger and the monthly statement received from the supplier to detect errors.	Investigation will be done to ensure that invoices are not captured twice.	In Progress	Manager budger and expenditure

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		e reports that are supported and evidenced by reliable information.				
113. EX.121 - Grant expenditure - Insufficient documentation (EX.121)	Contrary to the above mentioned requirement during the testing of grant expenditure it was established that there were insufficient supporting documentation available for the following items: 1. The composition of the LG SETA grant expenditure account. 2. The general ledgers for the respective grants - MSIG, Equitable share, MFMG, EPWP, and LG SETA.	Financial and performance management: Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Management should ensure that filing of information is properly kept and make information available promptly upon request for audit purposes.	The grant register will be consolidated and reconciled accordingly	In Progress	Manager budger and expenditure

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114. EX.127 - Expenditure: Consolidated expenditure management findings (EX.127)	Contrary to the above mentioned requirement the following issues were identified: 1. The following invoices does not have the invoice date:(refer to MR) 2. The following suppliers or service providers were paid without a valid invoice: 3. The following suppliers was used without being listed on the approved creditors listing. 4. The following suppliers contact details were not updated in the approved creditors listing. 5. The following suppliers or service providers account number on the approved creditors listing does not agree to the account number on the invoice. (refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting, compliance and related internal controls.	. Management should ensure that the invoices issued to them are valid and complete before making the necessary payment. 2. Management should ensure that the no payment is made without a valid invoice. 3. ; 4. and 5. Management should updated the approved creditors listing at least quarterly to include any additional prospective providers and only do business with the listed accredited prospective providers of goods and services	All internal control measures deficiencies identified regarding expenditure will be investigated and addressed.	In Progress	Manager budger and expenditure
115. EX.133 - Expenditure: significant issues that management should consider (EX.133) (EX.133)	Contrary to the above mentioned requirement, various deficiencies on supporting documentation to expenditure vouchers were noted of which the following serve as examples:	Leadership: Management did not exercise oversight responsibility regarding financial, performance reporting and compliance	The management agrees with the finding, the management will investigate the abovementioned issues that are raised, if there is fraudulent activities these matters will be reported to SAPS and the AGSA.	All internal control measures deficiencies identified regarding expenditure will be investigated and addressed.	In Progress	Manager budger and expenditure

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116. EX.135 - Expenditure: Control deficiencies on expenditure (EX.135) (EX.135)	The following deficiencies were identified during the review of the controls surrounding expenditure: 1. The goods receive note for the following transactions were not signed for goods and services provided. 2. The orders for the following transactions are generated after receiving the invoice. 3. The goods for the following transactions are received before generating the order and requisition. 4. The orders and requisition for the following transactions are generated after receiving the invoice. 5. Goods for the following transactions are received before the order, requisition and the invoice.	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting, compliance and related internal controls.	1. Management should ensure that the all goods received notes are signed when the goods have been received. 2 - 5. The municipality should maintain a proper system of internal controls in respect of purchases cycle.	All internal control measures deficiencies identified regarding expenditure will be investigated and addressed.	In Progress	Manager budger and expenditure

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119. EX.164 - Unspent conditional grants: Non-compliance with DORA regulations	Contrary to the above legislation we noted the following: (a) There were differences between the amount disclosed as unspent for the Municipal Finance Management Grant and the amount the municipality applied for roll-over. We provide details below: (b) There is an amount disclosed in the annual financial statements as unspent conditional grant of R499 281 for Integrated National Electrification Programme Grant however, we were not provided with evidence that the amount was surrendered to National Treasury or an application for a roll-over of the amount. (refer to MR)	Management should ensure that the grants register and the annual financial statements are reviewed and updated accordingly.	Management agrees with the finding, management will ensure that when there is unspent money letter of rollover will be written to National Treasury to apply for condonement.	Municipality will ensure that rollover letter is done for the grants to be used next financial year.	In Progress	Manager budget and expenditure
121. EX.185 - Expenditure: Cut off (EX.185)	Contrary to the above, the following transactions were recorded in the wrong accounting period(refer to MR)		Management should prepare an accrual list for goods and services that were received prior to year end to avoid transactions been classified in the wrong financial year.	All expenditure will be covered on the current financial year.		Chief Financial Officer

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
122. EX.94 - Expenditure: Operating lease contract expired (EX.94)	Contrary to the above requirements the following was identified: 1) Payments were made to Panasonic Business Systems for the lease of Panasonic equipment while the operating lease contracts of 36 months that was signed on the 17th May 2011 had expired on the 16 May 2014. Total operating lease expenditure recognised for Panasonic Business Systems for the 2014/15 financial year amounts to R427 440.	Leadership – Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should determine if a service was delivered for the payments made to ensure that operating lease payments are in fact valid or if the allocation should be allocated to another vote. A detailed response from management is expected and if payments are found to be irregular, management should indicate the corrective measures taken.	Investigation will be done all amount that is due to the municipality will be recovered.	In Progress	Director Corporate Services
150. EX.143 - SCM: Awards given to suppliers that are in service of state (EX.143)	Contrary to the above requirement, during the testing performed, it was identified that the municipality gave awards to the listed suppliers below in which persons in service of other state institutions have an interest and there was no supporting documentation to determine the position, job title whether the persons were still in service of the state when the award was given:(refer to MR)	Financial and performance management: Management did not implement processes with regards to the review and monitor of compliance with applicable laws and regulations	Management should implement procedures to ensure that the supplier registration form filled in by the provider requires the prospective provider to declare whether the prospective provider or any person connected to the prospective provider is employed by the state.	All employees who who are working for state and are identified were blocked on the system	In Progress	Manager Supply Chain Management

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
44. EX.108 - Accruals: Valuation and allocation (EX.108)	Contrary to the above during testing of Trade payables it was identified that Accruals from the Previous financial year (2013/14) were not reversed at the beginning of the 2014/15 financial year. An amount of R9 368 990,34 being prior year accrual were incorrectly included in 30 June 2015 Accrual balance. Furthermore, management did not prepare an accrual list as at the end of the 2014/15 financial year.	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should review the accrual list at the beginning of each and every financial year and apply correct accounting principles as according to the applicable reporting financial Framework (GRAP).	All accruals will be investigated and will be reversed.	In Progress	Manager budger and expenditure
45. EX.109 - Payables: Completeness and Valuation (EX.109)	Contrary to the above requirement, on audit work performed under Trade payables it was identified that balances between trial balance, creditors age analysis and annual financial statements (30 June 2015) did not agree.	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management should make sure the information submitted is accurate and agree with supporting information as disclosed in the annual financial statements. This can be achieved by a timeous review of annual financial statement by those charged with governance before they are submitted to the auditors.	Investigation between the trade creditors, trial balance and AFS will be done and reconciliation of creditors, trial balance and AFS will be done.	In Progress	Manager budger and expenditure
47. EX.140 - Trade Payables : Incomplete and incorrectly valued (EX.140)	Contrary to the above it was noted during the testing performed on the reconciliation of the supplier statements to the balance as per the age analysis that the following statements dated before 30 June 2015 were not	Financial and performance management: Management did not implement controls over monthly processing	Management should implement proper controls to ensure that correct monthly reconciliations are performed between the supplier statement and the creditor's age analysis.	Monthly payable accounts will be performed.	In Progress	Manager budger and expenditure

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
	included in the age analysis:(refer to MR)	and reconciling of transactions				
123. EX.147 - Prior Year finding: Payables (EX.147)	Contrary to the above it was noted during the follow up on prior year finding that supporting documentation for the following journal could still not be obtained. 1. The supporting evidence for the following transactions listed was not submitted for audit purposes for testing cut off: (refer to MR)2. The supporting document for the difference of R29 846,71 between the age analysis and the general ledger was not obtained	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.	Management should ensure that a proper filing system is in place to ensure that documents are safeguarded and readily available when requested for audit purposes.	Munsoft will be contacted for supporting documents for the system generated transactions	In Progress	Manager budget and expenditure

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
124. EX.58 - Leave, pay-out and gratuities - Provision for leave pay incorrectly calculated (EX.58)	Contrary to the above legislation it was noted that the provision for leave pay was incorrectly calculated. Details are as follows: The 48 day leave accrual limit was not considered when the provision for leave pay was determined resulting in an overstatement of R46 112,12 as follows: (refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and related internal controls to ensure the provision for leave payout was calculated correctly.	The calculation of leave pay-out provision should be reviewed and recalculated to ensure the accuracy thereof.	VIP to be called to rectify the errors. Monthly reconciliation of all salary accounts	In Progress	Director Corporate Services
50. EX.111 - Debtors with credit balances incorrectly processed when re-classified (EX.111)	Contrary to the above it was noted that the debtors with credit balance were incorrectly processed when it was being reclassified as payable. The details are as follows: (refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should ensure that control accounts are correctly closed off at year-end and that debtors with credit balances are correctly disclosed as payables.	The debit and credit legs of the entries will be corrected.	In Progress	Manager Income
51. EX.130 - Receivables non-exchange transactions: Existence of receivables non-exchange transactions could not be confirmed (EX.130)	(a) Contrary to the above we were unable to confirm the existence of the following property rate balances for farms. Also we could not establish that there was an impairment loss provided for the property rates. (refer to MR)	Financial and performance management: Management did not review and monitor compliance with applicable laws and regulations.	Management should revisit the entire receivables non-exchange transactions population and ensure that there is an impairment loss provision for all receivables that have objective evidence that an impairment loss exists. Also provide an impairment policy that states how the different types of municipal services are impaired.	The impairments were done correctly. An Impairment section must be included in the current Write Off Policy in order to determine the guidelines for impairment. The policy must be submitted to Council for approval	In Progress	Manager Income

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
52. EX.171 - Bad debt written off without council's approval (EX.171)	Contrary to the above the following bad debts were written off without council's prior approval:(refer to MR)		Management should ensure that council approval is obtained before bad debts are being written off.	The list of all bad debts written off will be taken to council for approval.	In Progress	Manager Income
Receivables 135. EX.142 - Suspense accounts not cleared at year-end (EX.142)	Contrary to the above the suspense accounts for the municipality have accumulating balances and are not being cleared at year end. 1. Upon further inspection of the transactions in other debtors account 515 600352 we could not trace these transactions to supporting documentation hence we could not verify the validity of these transactions. . The amount of R1 327 492,81 other debtors account No. 515 600353 is a balance from prior year in the suspense account which has also not been subsequently cleared. 3.The amount of R1 078 003,85 in account 511 600356 for amount to be recovered from ABSA bank fraud, has no movement since 18 November 2010. Absa bank indicated in a letter Ref. 2030906 date 2 August 2013 that Absa Bank Limited is not liable for the	Financial and performance management: Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management should review the suspense account and ensure that all transactions processed are subsequently cleared to the appropriate accounts. Management should also implement proper control and monitoring measures to ensure suspense account balances are cleared at year-end.	Suspense account transactions to be reviewed for reclassification.	In Progress	Manager Income

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
	loss. Management did not take any action and the validity of the balance disclosed is questionable. No evidence could be provided to indicate efforts by the municipality to recover the money or to indicate follow-up on the investigation since August 2013.					

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
136. EX.172 - Follow up of prior year issues: Traffic fines receivables amount disclosed not complete. (EX.172)	Contrary to the above we noted that the traffic fines register for 2013/2014 had an amount of R230 500 that were issued out. Of that amount, R94 073 was received as actual payment. However, the municipality disclosed an amount of R34 750 which was the prior year opening balance. This resulted in a difference of R136 427 refer to the table below for details:(refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management agrees with the fact that this 2013/2014 has not been cleared. In 2014/2015 the municipality applied the GRAP 23 principles and the guideline thereto when accounting for the income and receivables relating to fines. Management will apply the same principles in recognizing the 2013/2014 receivable amount and will then provide a working paper to support the prior period adjustment.	Investigation on traffic fines will be done and reconciliation will be done on monthly basis.	In Progress	Director Community Services
53. EX.126 - Grants: The amounts transferred to revenue differ with the amount recognised as grants revenue (EX.126)	In contrary to the above mentioned, through inspection of the financial statements (note 26) it was established that the amounts that was transferred to revenue that complied with the grant conditions differs from the grant revenue amounts disclosed. Please refer to the following(refer to MR)	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.	Reconciliations should be performed between the amounts transferred to revenue and the amounts recognised as grants revenue in the annual financial statements. Management should correct the financial statements accordingly.	Monthly reconciliation of PMU schedules/registers to the general ledger.	In progress	Manager budget and expenditure

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
55. EX.92 - Sewerage units incorrectly billed (EX.92)	Contrary to the above we note in the following instances where premises were physically inspected that sewerage was incorrectly billed: (refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should test the full population to ensure the capturing of billing information on the system is accurate.	Revenue enhancement strategy to be taken to council and total population to be done so that correct billing can be performed.	In Progress	Manager Income
56. EX.124 - Grant expenditure - Total EPWP expenditure amount on AFS differs from Section 71 Reports and Payroll (EX.124)	Contrary to the above mentioned, the following differences were established:	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.	Management should investigate the above and provide the auditor with a proper reconciliation together with supporting evidence of the total amount spent during 2014/15 financial year.	Monthly reconciliation of PMU schedules/registers to the general ledger.	In Progress	Manager budget and expenditure

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
57. EX.187 - No supporting documentation for reconciling items (EX.187)	Contrary to the abovementioned requirement, reconciling items have not been agreed to the relevant supporting documentation. The following was identified: No supporting documentation could be provided for the following reconciling items recorded in the cashbook:(refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should investigate reconciling items on the bank reconciliation and agree them to supporting documentation before signing them off as reviewed. Management should also review AFS before they submit them for audit so as to ensure that the information provided is accurate.	Reconciliation to be performed on monthly basis	In Progress	Manager budget and expenditure
58. EX.24 - Reconciliations on short terms deposits were lacking (EX.24)	Contrary to the aforementioned it was noted that management did not prepare monthly reconciliations for all the short term deposits.	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should prepare monthly short term deposits reconciliations and these reconciliations should be reviewed	Munsoft to be contacted for the system to update to ensure VAT is only charged on the applicable services and not on taxes	In Progress	Chief Financial Officer
63. EX.146 - Employee cost: Overpayment to councillors (EX.146)	Contrary to the above it was identified that there was an overpayment to the councillor who was demoted from being an executive committee member to a part time member, the following was as follows:(refer to MR)	Leadership: Management did not exercise their oversight responsibility regarding financial and performance reporting, compliance and related internal controls.	Management should ensure that money that was overpaid is recovered from the councillors and a receivable of the same amount should be raised at year-end.	Monthly reconciliation and reviews by senior official to be implemented.	In Progress	Manager budget and expenditure

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
64. EX.165 - Employee cost - Payments to third parties (EX.165)	Contrary to the above the following was noted with regards to payments made to third parties: 1. The 3rd party payments for the following periods did not occur in a timely manner, whereas, the payment to the third party was only approved more than 7days after the EFT payment was loaded. 2. Twelve (12) monthly payments to SAMWU Provident fund did not occur during the 2014/2015 financial year as there were only eleven (11) payments included in the total expenditure of the specific third party.(refer to MR)	Financial and performance management: The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should perform monthly reconciliations on the payments to third parties and the general ledgers of the third parties to ensure that third party payments are accounted for. Management should inspect the third party ledgers on an annual basis to ensure that the payments to third parties are complete.	All payments to the third party is being done on or before 7th of each and every month	In Progress	Manager budget and expenditure
74. EX.59 - Employee cost: Overpayment at termination (EX.59)	Contrary to the aforementioned it was noted that a former employee was subsequently paid a salary of R6 225, 68 after the termination of the employment contract. A deduction of R3 528,13 was made from his final leave pay-out instead of the full amount paid out of R6 225,68, rendering the difference of R2 697,55. The details of the employee are as follows:(refer to MR)	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to	The management agrees with finding, after the resignation of manager Human Resource there was miscommunication between Payroll Officer and HR section, the matter will be investigated and internal control measures will be strengthened.	All termination of payable will be reviewed by senior official before payment is authorized.	In Progress	Expenditure Manager

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
		support financial and performance reporting.				
75. EX.72 - Leave, pay-outs & gratuities - Long service bonus not timely paid (EX.72)	Contrary to the aforementioned, the following employees appointment date was 1 June 1990 and he qualified for a long service bonus at 30 June 2015. The long service bonus was only paid out in August 2015 resulting in personnel expenditure being understated with R5 518,34.	Financial: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management should review and recalculate the long service bonus pay-outs and reconcile the payroll data with the calculations on a monthly basis.	Management will implement control pertaining to a long service award payout.	In Progress	Director Corporate Services
78. EX.82 - Leave, pay-outs and gratuities - Incorrect calculation of unpaid leave deductions (EX.82)	Contrary to the aforementioned requirements the following internal control shortcoming was noted pertaining to the unpaid leave:	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should review and recalculate the unpaid leave deductions and reconcile the payroll data with the calculations on a monthly basis.	Management will ensure that all leave calculation are reviewed on monthly basis by senior official	Implemented	Manager budget and expenditure
109. EX.29 - Incomplete investment register (EX.29)	Contrary to the aforementioned it was noted that an investment amounting to R491 185, general ledger account No. 505/600473 is disclosed in the financial statements but not included in the investment register.	Financial and performance management: Management did not implement controls over daily and monthly processing and reconciling	Management should review the investment register on a monthly basis and must ensure that the balance per the investment register agrees to the balance per general ledger and annual financial statements.	Investment register will be reconciled on monthly basis and reviewed by the senior official.	Implemented	Manager budget and expenditure

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
		of transactions.				
24. EX.52 - PPE: Prior error: Property Incorrectly classified as investment property (EX.52)	Contrary to the above it was noted that investment property was incorrectly classified as the property was not held for rentals or capital appreciation.	Leadership: The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management should investigate whether the property is owned by Nketoana local municipality and obtain confirmation from the lessee confirming that the property is leased from Nketoana Local municipality.	The matter will be investigated and will be corrected accordingly.	In Progress	Manager budget and expenditure
110. EX.77 - Assets that were purchased during the current year are not barcoded (EX.77)	Contrary to the above, the following assets purchased during the current year did not consist of any barcodes up to the date that the verification was performed:(refer to MR)	Leadership: The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management should implement controls over assets to ensure that: (a) Proper sound asset management be implemented. (b) Assets should be regularly reviewed and verified by management to confirm the existence and working condition of the additions.	Investigation will be done on assets that were not tagged and all assets that are purchased will be tagged before they delivered to the different offices.	In Progress	Asset Management Unit/CFO
1. EX.75 - Property, plant and equipment - Movable assets not recorded in the asset register (EX.75)	Contrary to the above, during the verification it was noted that the following movable assets could not be verified from the floor to the asset register:	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that	Management should ensure that asset count is performed and reconciled to the asset register on a regular basis.	Investigation of the whole population of assets will be done, and procedure step will be performed to trace assets from the floor to the ground, from the ground to the floor.	In Progress	Asset Management Unit/CFO

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
		complete, relevant and accurate information is accessible and available to support financial and performance reporting.				
1. EX.13 2 - Asset - Assets included in asset register that could not be verified (EX.132)	Contrary to the above, during the existence testing of the movable assets it was noted that the following assets could not be verified:	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should ensure that asset count is performed and reconciled to the asset register on a regular basis.	Investigation of the whole population of assets will be done, and procedure step will be performed to trace assets from the floor to the ground, from the ground to the floor.	In Progress	Asset Management Unit/CFO

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
141. EX.136 - Revenue: Service charges - Rateable valuation reconciliation not prepared and reviewed (EX.136)	Contrary to the above a rateable valuation reconciliation was not prepared and reviewed by management.	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal control.	1. Management should prepare a rateable reconciliation which reconciles the valuation role and Munsoft in order to provide assurance that all properties (according to value) as per valuation roll are billed correctly. 2. The reconciliation should be prepared and reviewed on a monthly basis.	The Revenue Section is currently well understaff and approval needs to be granted to appoint officials 1 Management must be prepared on a monthly basis between the valuation roll and Munsoft system 2 The monthly reconciliation must be reviewed and signed by a senior official on a monthly basis	In Progress	Manager Income
1. EX.21 - Service revenue accounting policy not consistent with prior year's policy. (EX.21)	Contrary to the aforementioned it was noted that the accounting policy for revenue disclosed in the note 1.15 Revenue from exchange transactions is not consistent with the disclosure in note 1.13 in prior year's annual financial statements (refer to MR)	Financial and performance management: Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	The accounting policy for service revenue should be consistent with prior year in the absence of a change in standards of GRAP.	The policy will be updated to include the 2013/2014 tailored sections	In progress	Manager Income

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
143. EX.32 - Revenue: New meters replaced not updated on the system (EX.32)	Contrary to the aforementioned it was noted that the following meter reading per the meter book does not agree to reading captured and billed on Munsoft: (refer to MR)	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management should perform random reviews of meters to ensure that new replacement meters are updated on the system accordingly.	As the related examples are all in the Petrus Steyn/Mama fubedu area and as a result of incompetent temporary people appointed to do meter readings it is of utmost importance that a meter reading audit is performed in that area by a capable person with experience that do not stay in that area. Corrections will be done as soon as the results of the audit readings become available.	In progress	Manager Income
144. EX.68 - Meter readings per meter reading books differs to readings captured on Munsoft (EX.68)	Contrary to the aforementioned it was noted during the testing of meter readings from the meter reading books differs with the reading recorded on Munsoft and subsequently billed to the consumer.(refer to MR)	Management did not implement controls over daily and monthly processing and reconciling of transactions.	Management should perform random reviews of meter readings captured on the billing system and ensure that it is accurately captured. Furthermore, management should implement system controls which create exception reports.	As the related examples are all in the Petrus Steyn/Mama fubedu area and as a result of incompetent temporary people appointed to do meter readings it is of utmost importance that a meter reading audit is performed in that area	In progress	Manager Income

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
				by a capable person with experience that do not stay in that area. Corrections will be done as soon as the results of the audit readings become available.		
152. Revenue: Revenue is accounted for inclusive of VAT	Contrary to the above requirement the following was identified during the testing of Other income: Revenue received from the following receipts of building plans is accounted for inclusive of VAT in the general ledger: (refer to MR)	Leadership: Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	Management should ensure that review processes are in place to ensure that: 1. Revenue received is recorded exclusive of VAT 2. Revenue votes created on the Munsoft system are created as taxable supply.	We acknowledge and agree to the findings, and would like to provide assurance that the VAT coding on revenue votes will be corrected before end of November 2015. However the municipality has made sure that their VAT 201's submissions as from January 2015 are free of any discrepancies.	Implemented	Manager Income

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
145. EX.138 - VAT: No VAT procedure manual available (EX.138)	Contrary to the above no VAT procedure manual, as required by section 55(1)(b) of the VAT Act could be presented to the auditors. This manual should clearly identify in detail all the VAT processes and VAT codes to be used on the accounting software (Munsoft). This will ensure that VAT is treated correctly, consistently and with continuity.	Leadership: Management did not establish policies and procedures to enable and support understanding and execution of internal control objectives processes and responsibilities.	A VAT procedure manual should be maintained as required by section 55(1)(b) of the VAT Act. The VAT manual should further be updated on a regular basis according to changes in legislation, systems and related policies and procedures.	Maxprof tax consulting firm will be called to help the municipality on tax related matters.	In progress	CFO
146. EX.44 - VAT: VAT on Zero Rated supplies (EX.44)	Contrary to the aforementioned legislation Nketoana local municipality is currently submitting VAT returns with overstated Output VAT figures. Output VAT was incorrectly calculated at 14% on property rates which is considered to be a zero-rated (0%) supply in terms of section 11. (2)(w) of the Value added tax Act No. 89 of 1991	Leadership: Management did not develop and monitor the implementation of action plans to address internal control deficiencies	Output VAT on municipal property rates imposed on immovable property should be charged at zero-rate. The applicable VAT vote numbers should be corrected. Output VAT returns should be reviewed on a monthly basis and where applicable ensure that no Zero-rated supplies are included in the rated supplies.	Maxprof tax consulting firm will be called to help the municipality on tax related matters.	In progress	CFO

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	PROGRESS OR STATUS	Status	RESPONSIBLE PERSON
147. EX.46 - Value Added Tax: Reasonability Test (EX.46)	Contrary to the aforementioned we used the VAT returns for the year and performed reasonability tests with the breakdown of income accounts from the financial statements. Reasonability testing on taxable supplies indicated that Output VAT might be overstated:	Leadership: Management did not develop and monitor the implementation of action plans to address internal control deficiencies	Management should identify and resolve the differences. Monthly turnover reconciliations should be performed to ensure that VAT is declared on all income.	Maxprof tax consulting firm will be called to help the municipality on tax related matters.	In progress	CFO
148. EX.70 - Value added tax - Supporting documentation (EX.70)	Contrary to the above mentioned requirement during the testing of value added tax it was confirmed that there were no supporting documentation available for the following items: 1. Documentation whereby the VAT category and VAT accounting basis of Nketoana Local Municipality could be confirmed. 2. VAT General ledgers documentation for the processing of the grants received during the financial year and the VAT accounting thereof. 3. Supporting documentation for the VAT reconciliation differences identified during the 2014/2015 financial year. The above-mentioned information was requested per request for	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should ensure that filing of information is properly kept and make information available promptly upon request for audit purposes. Management should implement measures to ensure the completeness and accuracy of sewerage charges.	Maxprof tax consulting firm will be called to help the municipality on tax related matters.	In progress	CFO

HEADING	FINDING	ROOT CAUSE/IN TERNAL CONTROL DEFICIEN CY	AUDITORS RECOMMENDATI ON	PROGRESS OR STATUS	Status	RESPONSI BLE PERSON
	information No. 32 dated 2 October 2015					

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.12 Impairment of non-cash-generating assets

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Where it is not practical to determine the fair value less costs to sell, the entity uses the value in use. Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential. The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides.

Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipal entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised.

The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Nketoana Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Nketoana Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Nketoana Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Nketoana Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

A *contingent asset* is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the council.

A *contingent liability* is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of council; or
- a present obligation that arises from past events but is not recognised because: - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- the amount of the obligation cannot be measured with sufficient reliability.

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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Accounting Policies

1.14 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

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Accounting Policies

1.14 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

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Accounting Policies

1.15 Commitments

The term 'commitments' is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the entity of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

An entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made.

The notes to the financial statements must disclose the nature and amount of each material individual expenditure commitment and each material class of capital expenditure commitment as well as non-cancelable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded. Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly. Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Prepaid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August).

The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.23 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets. The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

The Municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity, including those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard. Close members of the family of key management are considered to be those family members who may be expected to influence, or be influenced by, key management in their dealings with the entity.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with GRAP 20 Related Party Disclosure.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following:

- GRAP 16 Investment property was carried at cost in 2015 and earlier but the fair value method was adopted in 2016.

3. New standards and interpretations

3.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has early adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	The impact of the amendment is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

4. Inventories

Consumable stores	191 281	152 668
Water	416 997	434 018
	608 278	586 686

Inventory recognised as an expense during the year	658 943	1 115 309
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Consumables amounting to R 373 754 (2015: R 365 682) and water amounting to R 285 189 (2015: R 749 627) were expensed.

Inventory pledged as security

No inventory type is pledged as security.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
5. Receivables from exchange transactions		
Expenditure to be investigated	407 520	407 520
Other debtors	9 519 191	9 536 802
Other receivable - ABSA	1 078 004	1 078 004
Provision for impairment	(11 004 715)	(11 022 326)
	-	-
Trade and other receivables impaired		
As of 30 June 2016, other receivables of R 11 004 715 (2015: R 11 022 326) were impaired and provided for.		
6. Receivables from non-exchange transactions		
Fines	8 690	148 625
Other receivables from non-exchange revenue	-	10 146
Consumer debtors - Rates	2 110 462	1 795 074
	2 119 152	1 953 845
Receivables from non-exchange transactions pledged as security		
No other receivables from non-exchange transactions were pledged as security for overdraft facilities.		
Receivables from non-exchange transactions impaired		
Reconciliation of consumer debtors - rates		
Consumer debtors - Rates	22 479 328	18 922 985
Consumer debtors - Rates (impairment)	(20 368 866)	(17 127 911)
	2 110 462	1 795 074
Rates		
Current (0 -30 days)	901 619	819 734
31 - 60 days	569 931	468 084
61 - 90 days	469 887	431 836
91 - 120 days	169 025	75 420
	2 110 462	1 795 074
7. VAT receivable		
VAT	1 763 881	1 763 881
8. Consumer debtors (exchange transactions)		
Gross balances		
Electricity	10 729 772	10 372 710
Water	79 308 078	60 411 229
Sewerage	44 093 387	36 504 198
Refuse	49 345 310	41 088 295
Sundry debtors	133 105 777	109 718 275
Housing rental	340 967	376 781
	316 923 291	258 471 488

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
8. Consumer debtors (exchange transactions) (continued)		
Less: Allowance for impairment		
Electricity	(5 758 601)	(4 553 081)
Water	(73 970 239)	(56 171 680)
Sewerage	(42 287 525)	(35 362 578)
Refuse	(47 914 863)	(39 919 782)
Sundry debtors	(128 942 886)	(106 265 358)
Housing rental	(340 647)	(376 519)
	(299 214 761)	(242 648 998)
Net balance		
Electricity	4 971 171	5 819 629
Water	5 337 839	4 239 549
Sewerage	1 805 862	1 141 620
Refuse	1 430 447	1 168 513
Sundry debtors	4 162 891	3 452 917
Housing rental	320	262
	17 708 530	15 822 490
Electricity		
Current (0 -30 days)	3 923 308	5 299 362
31 - 60 days	376 933	258 518
61 - 90 days	281 625	131 101
91 - 120 days	234 431	106 752
121 - 365 days	154 874	23 896
	4 971 171	5 819 629
Water		
Current (0 -30 days)	3 004 638	2 490 670
31 - 60 days	255 394	273 228
61 - 90 days	208 693	182 221
91 - 120 days	168 516	155 290
121 - 365 days	187 166	132 907
> 365 days	1 513 432	1 005 233
	5 337 839	4 239 549
Sewerage		
Current (0 -30 days)	589 345	325 060
31 - 60 days	156 591	160 859
61 - 90 days	130 065	86 937
91 - 120 days	77 940	67 219
121 - 365 days	67 238	58 166
> 365 days	784 683	443 379
	1 805 862	1 141 620
Refuse		
Current (0 -30 days)	340 328	320 544
31 - 60 days	131 109	137 804
61 - 90 days	108 934	88 050
91 - 120 days	80 730	70 116
121 - 365 days	71 183	60 443
> 365 days	698 163	491 556
	1 430 447	1 168 513

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
8. Consumer debtors (exchange transactions) (continued)		
Sundry debtors		
Current (0 -30 days)	1 556 905	985 997
31 - 60 days	446 582	400 269
61 - 90 days	430 416	320 603
91 - 120 days	383 191	370 600
121 - 365 days	398 181	415 916
> 365 days	947 616	959 532
	4 162 891	3 452 917
Housing rental		
> 365 days	320	262

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
8. Consumer debtors (exchange transactions) (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1 510 014	957 136
31 - 60 days	736 163	216 090
61 - 90 days	668 138	153 787
91 - 120 days	602 125	153 004
121 - 365 days	620 059	748 193
	4 136 499	2 228 210
Industrial/commercial		
Current (0 -30 days)	4 463 090	4 450 433
31 - 60 days	295 792	114 658
61 - 90 days	203 198	26 616
91 - 120 days	190 357	28 117
121 - 365 days	188 479	1 431
> 365 days	1 272 950	764 602
	6 613 866	5 385 857
National and provincial government		
Current (0 -30 days)	3 441 419	2 890 207
31 - 60 days	334 654	468 795
61 - 90 days	288 397	209 978
91 - 120 days	152 325	164 138
121 - 365 days	123 088	317 116
> 365 days	2 618 282	4 158 189
	6 958 165	8 208 423
Total		
Current (0 -30 days)	9 414 522	9 456 795
31 - 60 days	1 366 610	1 230 679
61 - 90 days	1 159 733	808 912
91 - 120 days	944 807	769 976
121 - 365 days	931 626	771 484
> 365 days	3 891 232	2 784 644
	17 708 530	15 822 490
Less: Allowance for impairment		
Electricity	(5 758 601)	(4 553 081)
Water	(73 970 239)	(56 171 680)
Sewerage	(42 287 525)	(35 362 578)
Refuse	(47 914 863)	(39 919 782)
Sundry debtors	(128 942 886)	(106 265 358)
Housing rental	(340 647)	(376 519)
	(299 214 761)	(242 648 998)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(242 648 998)	(208 898 713)
Contributions to allowance	(73 582 017)	(51 875 200)
Debt impairment written off against allowance	17 016 254	18 124 915
	(299 214 761)	(242 648 998)

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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8. Consumer debtors (exchange transactions) (continued)

Consumer debtors pledged as security

None of the consumer debtors were pledged as security for any financial liability.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been renegotiated in the last year.

Consumer receivables are only due after 30 days. Interest shall be paid on accounts which have not been paid within thirty days from the date on which the account became due, at prime rate for the period.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9 688	5 520
Short-term deposits	3 093 883	2 902 315
Other cash and cash equivalents	611	611
Cash and cash equivalents	(577 159)	(1 198 016)
	2 527 023	1 710 430
Current assets	3 104 182	2 908 446
Current liabilities	(577 159)	(1 198 016)
	2 527 023	1 710 430

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA - Operating account - 2170560119	264 220	2 328 216	1 421 932	101 374	(2 764 673)	(3 071 214)
ABSA - Banktel account - 2170142538	57 397	173 334	1 311 877	(678 533)	196 807	1 400 606
ABSA - Call account - 90741555973	1 872 020	1 725 063	149 658	1 872 020	1 725 063	149 658
Old Mutual - 5208945	521 270	521 270	491 185	521 270	521 270	491 185
Total	2 714 907	4 747 883	3 374 652	1 816 131	(321 533)	(1 029 765)

10. Biological assets that form part of an agricultural activity

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game	24 513	-	24 513	50 476	-	50 476

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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10. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Gains or losses arising from changes in fair value	Total
Game	50 476	(25 963)	24 513

Reconciliation of biological assets that form part of an agricultural activity - 2015

	Opening balance	Gains or losses arising from changes in fair value	Total
Game	22 700	27 776	50 476

Non - Financial information

Quantities of each biological asset

Blesbok	9	9
Wildebeest	1	1
Zebra	2	2
	12	12

Pledged as security

None of the biological assets were pledged as security for any financial liabilities.

Methods and assumptions used in determining fair value

The latest bid prices from game auctions were used as fair values.

11. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	13 877 904	-	13 877 904	13 877 904	-	13 877 904

Reconciliation of investment property - 2016

	Opening balance	Additions	Disposals	Total
Investment property	13 877 904	-	-	13 877 904

Reconciliation of investment property - 2015

	Opening balance	Additions	Disposals	Total
Investment property	13 877 904	-	-	13 877 904

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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11. Investment property (continued)

Pledged as security

Investment property is not pledged as security.

There are no restrictions on the remittance of revenue and proceeds on disposals relating to investment property.

There are no contractual obligations to repair, maintain, enhance, purchase, construct or develop investment property.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17 838 185	-	17 838 185	17 838 185	-	17 838 185
Buildings	223 933 949	(111 575 446)	112 358 503	210 660 859	(106 058 821)	104 602 038
Infrastructure	1 472 840 952	(766 095 135)	706 745 817	1 453 939 129	(715 568 439)	738 370 690
Other property, plant and equipment	16 675 764	(8 237 714)	8 438 050	16 898 707	(6 976 439)	9 922 268
Landfill sites	21 868 937	(1 763 924)	20 105 013	21 868 937	(1 118 196)	20 750 741
Leased assets	649 339	(17 197)	632 142	-	-	-
Work-in-progress	138 852 296	-	138 852 296	112 991 998	-	112 991 998
Total	1 892 659 422	(887 689 416)	1 004 970 006	1 834 197 815	(829 721 895)	1 004 475 920

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 838 185	-	-	-	-	17 838 185
Buildings	104 602 038	-	-	13 273 090	(5 516 625)	112 358 503
Infrastructure	738 370 690	-	-	18 901 824	(50 526 697)	706 745 817
Other property, plant and equipment	9 922 268	864 458	(587 073)	-	(1 761 603)	8 438 050
Landfill sites	20 750 741	-	-	-	(645 728)	20 105 013
Leased assets	-	649 339	-	-	(17 197)	632 142
Work-in-progress	112 991 998	58 035 212	-	(32 174 914)	-	138 852 296
	1 004 475 920	59 549 009	(587 073)	-	(58 467 850)	1 004 970 006

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17 838 185	-	-	-	-	17 838 185
Buildings	110 009 131	-	-	-	(5 407 093)	104 602 038
Infrastructure	763 355 856	-	-	24 444 420	(49 429 586)	738 370 690
Other property, plant and equipment	10 068 953	1 402 635	-	-	(1 549 320)	9 922 268
Landfill sites	6 599 468	-	-	14 751 509	(600 236)	20 750 741
Work-in-progress	108 012 267	44 175 660	-	(39 195 929)	-	112 991 998
	1 015 883 860	45 578 295	-	-	(56 986 235)	1 004 475 920

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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Figures in Rand	2016	2015
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12. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Office equipment	632 142	-
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

13. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	240 691	(175 093)	65 598	213 110	(140 405)	72 705

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	72 705	27 582	(34 689)	65 598

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	81 886	19 666	(28 847)	72 705

14. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Stamp collections, military insignia, medals, coin	529 800	-	529 800	529 800	-	529 800

Reconciliation of heritage assets 2016

	Opening balance	Additions	Disposals	Total
Stamp collections, military insignia, medals, coin	529 800	-	-	529 800

Reconciliation of heritage assets 2015

	Opening balance	Additions	Disposals	Total
Stamp collections, military insignia, medals, coin	529 800	-	-	529 800

15. Other financial assets

Residual interest at cost

Nketoana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
15. Other financial assets (continued)		
Unlisted shares	5 000	5 000
VKB Agriculture (Pty) Ltd		
Preference shares	307 585	269 380
VKB Agriculture (Pty) Ltd		
	312 585	274 380
At amortised cost		
Other financial asset	4 275 191	4 031 425
Standard Bank - Money Market		
Total other financial assets	4 587 776	4 305 805
Non-current assets		
Residual interest at cost	312 585	274 380
At amortised cost	4 275 191	4 031 425
	4 587 776	4 305 805
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Standard Bank - Money Market	4 275 191	4 031 425
Financial assets at amortised cost		
Nominal value of financial assets at cost		
Unlisted shares	312 585	274 380
Investment in a private company initially recognised at cost. Council have not been able to determine the reasonability of the fair value.		
Financial assets pledged as collateral		
Collateral		
Carrying value of financial assets pledged as collateral for liabilities or contingent liabilities	4 275 191	4 031 425
16. Long-term deposit		
Non-current deposit	2 018 500	2 018 500

The long-term deposit is held by ESKOM for the upgrade done by the municipality to the electricity network.

No interest is earned on the deposit.

Nketoana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
17. Other financial liabilities		
At amortised cost		
Bank loan	7 231 214	6 889 142
The Development Bank of Southern Africa Limited		
Bank loan	1 222 090	1 153 659
The Development Bank of Southern Africa Limited		
Other loan	702 162	1 925 550
Grainfield Chickens Proprietary Limited		
	9 155 466	9 968 351
Total other financial liabilities	9 155 466	9 968 351
Development Bank of South Africa		
Loan 1		
The original loan amount was R 9,600,000 repayable over a 20 year period with a redemption date of 31 December 2024.		
Loan 2		
The original loan amount was R 1,600,000 repayable over a 20 year period with a redemption date of 31 December 2024.		
Grainfield Chickens		
Interest charged is linked to the prime interest rate. Monthly municipal fees are deducted as repayments on the loan.		
In 2015/2016 all repayments on the DBSA loans were not made as per loan agreement. The default was not remedied and the terms were not renegotiated before the financial statements were authorized for issue.		
Non-current liabilities		
At amortised cost	7 806 024	8 569 848
Current liabilities		
At amortised cost	1 349 442	1 398 503

Nketoana Local Municipality

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Figures in Rand	2016	2015
18. Finance lease obligation		
Minimum lease payments due		
- within one year	276 840	-
- in second to fifth year inclusive	553 680	-
	830 520	-
less: future finance charges	(181 181)	-
Present value of minimum lease payments	649 339	-
Present value of minimum lease payments due		
- within one year	181 599	-
- in second to fifth year inclusive	467 740	-
	649 339	-
Non-current liabilities	467 740	-
Current liabilities	181 599	-
	649 339	-

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 17% (2015: -%).

Interest rates are fixed at the contract date. All leases escalate at 10% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

19. Payables from exchange transactions

Trade payables	155 737 055	106 018 250
Deferred revenue	383 215	690 499
Salary suspense	37 425	-
Accrued leave pay	5 962 628	5 793 612
Accrued bonus	1 617 116	1 412 314
Deposits received	41 644	41 644
	163 779 083	113 956 319

20. VAT payable

VAT balance	13 545 356	18 376 667
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VAT is payable on the cash basis and is paid to SARS once payments are received from debtors and claimed from SARS once suppliers have been paid.

The VAT balance is the net amount of the municipality's VAT control accounts where amounts were received from debtors and paid to suppliers.

21. Consumer deposits

Electricity	1 318 100	1 278 341
Housing rental	30 685	26 912
	1 348 785	1 305 253

Nketoana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
22. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(11 455 000)	(11 169 000)
Carrying value		
Long service awards	(4 117 000)	(3 801 000)
Medical aid benefits	(7 338 000)	(7 368 000)
	(11 455 000)	(11 169 000)
Non-current liabilities	(11 033 000)	(10 619 000)
Current liabilities	(422 000)	(550 000)
	(11 455 000)	(11 169 000)
Non-current liabilities		
Long service awards	(3 695 000)	(3 251 000)
Medical aid benefits	(7 338 000)	(7 368 000)
	(11 033 000)	(10 619 000)
Current liabilities		
Long service awards	(422 000)	(550 000)

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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22. Employee benefit obligations (continued)

The medical contribution and long service provisions are actuarial calculations which were performed by ZAQ.

ZAQ is an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes.

Members of their executive committee include:

- Niel Fourie FASSA, CERA
- Pieter Wasserfall B.Com Actuarial Science
- Dennis De Wet B.Com (Hons) Financial Analysis

Long service award liability

The long service awards liability arises from the municipality being a party to the Collective Agreement on Conditions of Service for the Free State Division of SALGBC.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The awarded leave days have been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The calculation also allows for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The two most important financial variables used in the valuation are the discount rate and salary inflation.

Post-employment medical aid liabilities

The liability relates to future medical expenses which will be incurred by the municipality on behalf of retired employees. The future cash flows will continue until the mortality of all members. The mortality is therefore the uncertainty relating to the provision.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the date of calculation.

The calculation also allows for mortality. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement.

Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. It is also assumed that all active members will remain on the same medical aid option.

As at the valuation date, the medical aid liability of the municipality was unfunded, i.e. no dedicated assets had been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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22. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	11 169 000	11 437 000
Benefits paid	(1 199 000)	(1 128 000)
Net expense recognised in the statement of financial performance	1 485 000	860 000
	11 455 000	11 169 000

Net expense recognised in the statement of financial performance

Current service cost	550 000	593 000
Interest cost	996 000	975 000
Actuarial (gains) losses	(61 000)	(708 000)
	1 485 000	860 000

Key assumptions used

Assumptions used at the reporting date:

Consumer price inflation (CPI) - Difference between nominal and real yield curve	- %	- %
Discount rate - Yield curve	- %	- %
Normal salary increase rate (CPI + 1%)	6.00 %	6.79 %
Net effective discount rate - Yield curve based	- %	- %

Other assumptions

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

The nominal and real zero curves as at 30 June 2016 as supplied by the JSE, was used to determine the discounted rates and CPI assumptions at each relevant time period. This methodology has changed from a point estimate in order to present a more accurate depiction of the liability. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Normal salary inflation rate

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2016 of 6%.

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
23. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Finance Management Grant	92 019	544 100
Intergrated National Electrification Programme Grant	-	499 281
Expanded Public Works Programme Grant	-	48 000
	92 019	1 091 381
Movement during the year		
Balance at the beginning of the year	1 091 381	3 679 861
Additions during the year	64 824 046	66 406 378
Income recognition during the year	(65 823 408)	(68 994 858)
	92 019	1 091 381

See note 32 for reconciliation of grants from National/Provincial Government.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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24. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Unwinding of discount costs	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	7 369 811	739 192	-	-	-	8 109 003

Reconciliation of provisions - 2015

	Opening Balance	Unwinding of discount costs	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	6 698 002	671 809	-	-	-	7 369 811

Environmental rehabilitation provision

Nketoana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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24. Provisions (continued)

The provision is for the estimated future cost of the rehabilitation of the solid waste dumping sites at Mamafubedu (Petrus Steyn), Arlington, Lindley and Petsana (Reitz).

The rehabilitation requirements are in terms of the Acts and Standards listed below:

- National Treasury: GRAP 17 & 19.
- The National Environmental Management Act 107 of 1998
- The National Environmental Management Waste Act 59 of 2008.
- The Minimum Requirements for Waste Disposal by Landfill: DWAF, 1998.
- The South African Constitution Act 108 of 1996.
- The National Environmental Management Air Quality Act 39 of 2004.
- Hazardous Substances Act 5 of 1973.
- Mineral and Petroleum Resources and Development Act 28 of 2002.
- Health Act 63 of 1977.
- Occupational Health and Safety Act 8 of 1993.
- Municipal Systems Act 32 of 200.
- Environmental Conservation Act 73 of 1989.
- Municipal Structures Act 117 of 1998.

Mamafubedu (Petrus Steyn)

The disposal site presently used has an approximate area of 38 236 square meters.

The present site has adequate footprint and airspace available for the disposal of solid waste from Petrus Steyn and Mamafubedu for another 14 years but only if operated in a manner as prescribed by the Department of Environmental Affairs.

Present value (2016) of the rehabilitation of the solid waste site is R 2 326 277.

The future costs are discounted at a risk-adjusted weighted average cost of capital of 9.83% to establish the present value of the provision.

Lindley

The disposal site presently used has an approximate area of 59 625 square meters.

The present site has adequate footprint and airspace available for the disposal of solid waste from Lindley for another 41 years but only if operated in a manner as prescribed by the Department of Environmental Affairs.

Present value (2016) of the rehabilitation of the solid waste site is R 1 196 773.

The future costs are discounted at a risk-adjusted weighted average cost of capital of 10.17% to establish the present value of the provision.

Petsana (Reitz)

The disposal site presently used has an approximate area of 87 580 square meters.

The present site has adequate footprint and airspace available for the disposal of solid waste from Reitz and Petsana for another 19 years but only if operated in a manner as prescribed by the Department of Environmental Affairs.

Present value (2016) of the rehabilitation of the solid waste site is R 3 810 217.

The future costs are discounted at a risk-adjusted weighted average cost of capital of 9.95% to establish the present value of the provision.

Arlington

The disposal site presently used has an approximate area of 14 250 square meters.

The present site has adequate footprint and airspace available for the disposal of solid waste from Arlington for another 27 years but only if operated in a manner as prescribed by the Department of Environmental Affairs.

Present value (2016) of the rehabilitation of the solid waste site is R 775 736.

Nketoana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
24. Provisions (continued)		
The future costs are discounted at a risk-adjusted weighted average cost of capital of 10.17% to establish the present value of the provision.		
25. Accumulated surplus		
Accumulated surplus (deficit)	842 666 919	883 931 670
26. Service charges		
Sale of electricity	46 084 095	41 780 565
Sale of water	44 260 561	38 736 065
Sewerage and sanitation charges	19 500 416	15 902 118
Refuse removal	18 505 722	14 836 937
	128 350 794	111 255 685
27. Rental of facilities and equipment		
Premises		
Premises	255 398	283 578
Facilities and equipment		
Rental of facilities	76 466	73 002
	331 864	356 580
28. Interest received (trading)		
Interest received (trading)	24 391 914	20 201 160
29. Other income		
Insurance claims	5 684	165 328
Connection fees	1 106 013	759 235
Garden refuse	-	263
Building plans and clearance certificates	31 042	40 030
Other income	332 951	108 955
	1 475 690	1 073 811
30. Investment revenue		
Interest revenue		
Bank	1 100 347	583 166
Interest received - other	1 225	-
	1 101 572	583 166

Nketoana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
31. Property rates		
Rates received		
Property rates	16 612 976	15 835 059
Valuations		
Residential	1 099 810 907	1 099 215 907
Commercial	209 981 254	210 301 254
State	198 491 607	198 491 607
Municipal	328 492 500	328 614 500
Small holdings and farms	3 287 924 355	3 297 559 531
	5 124 700 623	5 134 182 799

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Interest at prime plus 1% per annum (2015: 1%) is levied on overdue accounts.

The new general valuation will be implemented on 01 July 2018.

Nketoana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
32. Government grants and subsidies		
Operating grants		
Equitable Share	80 039 000	79 011 000
Municipal System Improvement Grant	930 000	934 000
Municipal Finance Management Grant	3 302 081	1 765 224
Local Government Sector Education Training Authority Grant	141 640	112 163
Expanded Public Works Programme Grant	1 156 000	1 056 334
	85 568 721	82 878 721
Capital grants		
Municipal Infrastructure Grant	24 633 000	26 572 000
Regional Bulk Infrastructure Grant	33 171 406	30 784 215
Eskom Electrification Grant	2 060 281	4 800 719
	59 864 687	62 156 934
	145 433 408	145 035 655
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	63 053 027	65 315 331
Unconditional grants received	80 538 281	79 011 000
	143 591 308	144 326 331
Equitable Share		
Current-year receipts	80 039 000	77 589 000
Transferred to revenue	(80 039 000)	(79 011 000)
EPWP surrendered	-	369 999
INEG surrendered	-	1 052 001
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The Equitable Share is an unconditional grant and is utilised to assist the local municipalities to undertake service delivery.		
Municipal Systems Improvement Grant		
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-
Municipal Finance Management Grant		
Balance unspent at beginning of year	544 100	709 324
Current-year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(2 052 081)	(1 765 224)
	92 019	544 100
Conditions still to be met - remain liabilities (see note 23).		
Local Government Sector Education Training Authority Grant		
Current-year receipts	141 640	112 163
Conditions met - transferred to revenue	(141 640)	(112 163)
	-	-

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
32. Government grants and subsidies (continued)		
Integrated National Electrification Programme Grant		
Balance unspent at beginning of year	499 281	1 052 001
Current-year receipts	1 561 000	5 300 000
Conditions met - transferred to revenue	(2 060 281)	(4 800 719)
Other	-	(1 052 001)
	-	499 281
Conditions still to be met - remain liabilities (see note 23).		
Regional Bulk Infrastructure Grant		
Balance unspent at beginning of year	-	1 548 203
Current-year receipts	33 171 406	29 236 012
Conditions met - transferred to revenue	(33 171 406)	(30 784 215)
	-	-
Municipal Infrastructure Grant		
Current-year receipts	24 633 000	26 572 000
Conditions met - transferred to revenue	(24 633 000)	(26 572 000)
	-	-
Expanded Public Works Programme Grant		
Balance unspent at beginning of year	48 000	370 333
Current-year receipts	1 108 000	1 104 000
Conditions met - transferred to revenue	(1 156 000)	(1 056 334)
Other	-	(369 999)
	-	48 000
Conditions still to be met - remain liabilities (see note 23).		
33. Public contributions and donations		
Public contributions and donations	8 942 783	4 299 995
The district municipality donated infrastructure assets to Nketoana Local Municipality in 2015 and 2016.		
34. Fines		
Traffic fines	216 310	205 404

The whole amount relates to traffic fines and recognition was based on GRAP23 requirements.

Nketoana Local Municipality

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Figures in Rand	2016	2015
35. Employee related costs		
Basic	51 703 164	48 176 825
Bonus	3 317 436	3 498 891
Medical aid - company contributions	1 973 601	2 097 075
UIF	543 300	477 511
WCA	139 326	146 853
SDL	711 289	755 745
Leave pay and bonus provision	373 817	195 232
SALGA contributions	39 652	33 820
Defined contribution plans	996 000	975 000
Travel, car, accommodation, subsistence and other allowances	2 815 066	2 422 583
Overtime payments	5 260 317	4 476 540
Acting allowances	1 395 940	473 715
Housing benefits and allowances	419 862	406 791
Pension	8 668 340	8 488 640
Standby allowances	1 677 552	1 437 283
Telephone and other allowances	775 728	736 205
	80 810 390	74 798 709

The leave pay and bonus provision amounting to R 373 817 (2015: R 195 232) comprises of the movements in the leave and bonus provisions year on year. Please refer to note 19 for more detail on these provisions.

Remuneration of Executive Directors

Remuneration of Accounting Officer

Annual remuneration	851 970	776 065
Car allowance	192 000	-
Bonus	89 000	-
Other allowances	130 651	280 200
Contributions to UIF, medical and pension funds	255 487	33 300
	1 519 108	1 089 565

Remuneration of Acting Chief Financial Officer

Annual remuneration	299 374	279 789
Acting allowance	283 265	89 340
Car allowance	130 662	-
Bonus	24 948	-
Other allowances	19 378	-
Contributions to UIF, medical and pension funds	160 942	101 204
	918 569	470 333

Remuneration of Executive Director - Corporate Services

Annual remuneration	858 545	730 826
Acting allowance	15 600	-
Car allowance	36 000	-
Bonus	52 500	-
Other allowances	122 312	66 229
Contributions to UIF, medical and pension funds	-	4 256
	1 084 957	801 311

Remuneration of Executive Director - Technical Services

Annual remuneration	682 669	593 550
Car allowance	133 333	-
Bonus	49 462	-
Other allowances	122 663	268 905
Contributions to UIF, medical and pension funds	3 569	-

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
35. Employee related costs (continued)	991 696	862 455
Remuneration of Executive Director - Community Services		
Annual remuneration	830 770	687 626
Car allowance	79 000	-
Bonus	48 000	-
Other allowances	33 400	104 430
Contributions to UIF, medical and pension funds	35 296	1 785
	1 026 466	793 841
36. Remuneration of councillors		
Salaries	5 046 528	4 934 816
Mayor	579 501	497 886
Bonuses	33 689	31 485
Car and other allowances	1 231 823	1 212 806
	6 891 541	6 676 993
In-kind benefits		
The Mayor and Speaker are full-time employees of the Municipality. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker have the use of Council owned vehicles for official duties.		
The Mayor and Speaker have the use of Council owned laptops and tablets.		
Councillor remuneration is in line with the upper limits that is Gazetted by the Department of Cooperative Governance and the framework envisaged in section 219 of the Constitution.		
Mayor	778 880	697 698
Executive Committee	1 413 860	1 362 972
Councillors	3 037 721	3 079 506
Speaker	630 608	578 333
	5 861 069	5 718 509
37. Depreciation and amortisation		
Property, plant and equipment	58 467 853	56 986 234
Intangible assets	34 688	28 847
	58 502 541	57 015 081
38. Finance costs		
Non-current borrowings	986 227	850 152
Trade and other payables	8 476 824	6 572 762
Late payment of tax	-	243 924
Other interest paid	739 192	671 809
	10 202 243	8 338 647
39. Lease rentals on operating lease		
Lease rentals on operating lease	5 547 174	4 686 484

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
39. Lease rentals on operating lease (continued)		
The leases included fleet (R 2 872 306) and office equipment (R 2 674 868) rentals.		
Please refer to note 49 for more information on the commitment relating to operating leases.		
40. Debt impairment		
Contributions to debt impairment provision	59 853 833	57 771 631
Bad debts written off	23 565 465	50 796 221
	83 419 298	108 567 852
41. Repairs and maintenance		
Repairs and maintenance - deductible	18 427 332	15 404 523
42. Bulk purchases		
Electricity	43 532 721	38 183 983
Water	285 189	750 765
	43 817 910	38 934 748
43. Contracted services		
Specialist Services	10 409 609	10 108 459
Other Contractors	990 253	650 230
	11 399 862	10 758 689

Nketoana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
44. General expenses		
Advertising	113 804	110 110
Auditors remuneration	5 057 215	4 588 167
Bank charges	555 118	555 326
Cleaning	510 175	974 043
Commission paid	735 142	747 690
Consumables	829 636	775 003
Debt collection	-	3 338
Donations	928 500	388 154
Entertainment	405 665	419 521
Fines and penalties	100 436	231 768
Gifts (bursaries)	94 742	58 020
Insurance	1 154 395	1 048 676
Conferences and seminars	239 450	255 358
Promotions and sponsorships	53 050	15 580
Fuel and oil	4 137 616	3 799 829
Postage and courier	386 092	3 452
Printing and stationery	1 979 199	2 333 257
Promotions	911 019	754 004
Security (Guarding of municipal property)	342 764	1 878 067
Subscriptions and membership fees	1 563 202	813 723
Telephone and fax	818 089	1 247 753
Training	851 439	810 476
Travel - local	2 984 307	2 054 918
Refuse	629 417	592 231
Assets expensed	3 881 637	54 986
Electricity	15 975 381	10 410 711
Water	1 270	15 899
Uniforms	576 286	270 971
Tourism development	39 500	50 114
Licences	652 103	15 009
Chemicals	1 719 515	2 128 428
Other expenses	912 653	324 619
	49 138 817	37 729 201
45. Gain on disposal of assets and liabilities		
Property, plant and equipment	-	36 425
46. Fair value adjustments		
Biological assets - (Fair value model)	(25 963)	27 776
Other financial assets		
• Other financial assets (Held for trading)	-	30 085
	(25 963)	57 861
47. Auditors' remuneration		
Fees	5 057 215	4 588 167

Nketoana Local Municipality

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Figures in Rand	2016	2015
48. Cash generated from operations		
Deficit	(41 264 760)	(63 262 126)
Adjustments for:		
Depreciation and amortisation	58 502 541	57 015 081
Loss on sale of assets and liabilities	-	(36 425)
Fair value adjustments	25 963	(57 861)
Debt impairment	83 419 298	108 567 852
Movements in retirement benefit assets and liabilities	286 000	(268 000)
Movements in provisions	739 192	671 809
Changes in working capital:		
Inventories	(21 592)	189 858
Receivables from exchange transactions	-	3 164 735
Consumer debtors	(85 305 338)	(94 179 167)
Other receivables from non-exchange transactions	(165 307)	10 927 812
Receivable - public contributions and donations	-	(4 566 465)
Payables from exchange transactions	49 822 770	33 562 924
VAT	(4 831 311)	-
Unspent conditional grants and receipts	(999 362)	(2 588 480)
Consumer deposits	43 532	53 909
	60 251 626	49 195 456

Nketoana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
49. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment - infrastructure	71 428 554	52 371 281
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment - infrastructure	25 899 000	57 873 000
Total capital commitments		
Already contracted for but not provided for	71 428 554	52 371 281
Not yet contracted for and authorised by accounting officer	25 899 000	57 873 000
	97 327 554	110 244 281
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure	63 578 434	70 409 857
Not yet contracted for and authorised by accounting officer		
• Expenditure	60 126 818	15 592 491
Total operational commitments		
Already contracted for but not provided for	63 578 434	70 409 857
Not yet contracted for and authorised by accounting officer	60 126 818	15 592 491
	123 705 252	86 002 348
Total commitments		
Total commitments		
Authorised capital expenditure	97 327 554	110 244 281
Authorised operational expenditure	123 705 252	86 002 348
	221 032 806	196 246 629
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	1 547 105
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	71 826	142 479
- in second to fifth year inclusive	139 994	218 958
- later than five years	128 328	170 135
	340 148	531 572

Certain of the municipality's equipment is held to generate rental income. There are no contingent rents receivable.

Nketoana Local Municipality

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50. Contingencies

The municipality is being sued for the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain.

Litigation is in the process against the municipality relating to damage to property of J Shabalala. The amount under dispute is R 94 158. The legal fees amount to R 23 540.

Litigation is in the process against the municipality relating to a dispute with Monthei Construction. The amount under dispute is R 2 104 255. The legal fees amount to R 526 064.

Litigation is in the process against the municipality relating to a dispute with a Telkom. The amount under dispute is R 133 394. The legal fees amount to R 33 350.

Litigation is in the process against the municipality relating to a dispute with Telkom. The amount under dispute is R 66 982. The legal fees amount to R 16 745.

Litigation is in the process against the municipality relating to a dispute with Telkom. The amount under dispute is R 17 473. The legal fees amount to R 4 368.

Litigation is in the process against the municipality relating to a dispute with Q & H Water Services Pty Ltd. The amount under dispute is R 1 092 417. The legal fees amount to R 273 104.

Litigation is in the process against the municipality relating to a dispute with TLWG Lekota. The amount under dispute is R 310 000. The legal fees amount to R 77 500.

Litigation is in the process against the municipality relating to a dispute with DD Radebe. The amount under dispute is R 1 568 229. The legal fees amount to R 392 057.

Litigation is in the process against the municipality relating to a dispute with ELB Equipment. The amount under dispute is R 93 238. The legal fees amount to R 23 309.

Litigation is in the process against the municipality relating to a dispute with Rudnat Projects CC. The amount under dispute is R 5 287 036. The legal fees amount to R 1 321 759.

Litigation is in the process against the municipality relating to a dispute with Blue Kite Properties. The amount under dispute is R 45 600. The legal fees amount to R 11 400.

Litigation is in the process against the municipality relating to physical injuries to DE Motaung. The amount under dispute is R 3 422 000. The legal fees amount to R 863 750.

Litigation is in the process against the municipality relating to legal representation rendered by Morobane Incorporated. The amount under dispute is R 65 019. The legal fees amount to R 16 255.

Litigation is in the process against the municipality relating to damage to property of L Stoffberg. The amount under dispute is R 3 920. The legal fees amount to R 980.

Nketoana Local Municipality

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51. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence; and
- entities that control or exert significant influence over the municipality

Executive management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly, including any director (whether executive or otherwise) of the municipality. The municipality's key management personnel includes the Accounting officer, Executive Directors and close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the group.

Key management information

No transactions took place between the municipality and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in notes 35&36 for key management and Councilors.

Relationships

Accounting Officer
Chief Financial Officer (Acting)
Councilors

Refer to accounting officer's report note
Tsietsi Godfrey Makgale
Tshabalala Nceni Selina (Dexpro Construction and Trading)
Mosia Mokete Jeremiah (Mahatammoho Reteng)
Blignaut Marthinus (Agristan SA, Monaufic Belegging;
NG Welsyn Reitz Wooneenhede; NG Welsyn Reitz Tehuis, Tipakri Eiendomsbeleggings)
Mokoena Kgaketla Abram (Re Bonahatse Construction)
Radebe Tebogo Patrick (Emthonjeni Primary Coperative)
Malindi Mosotho Simon (Linden Sons General)
Mofokeng Phoka Petrus (PMMM Builders, Purple Moss 1057)
Moshwadiba Pasika Zacharia (Schwak's Construction and Distribution)
Mokgatle Lekgetho (Reliable Trinity Automotive Spares, Entle Trading 507)
Maseko Sebina Mable (Maseko and Moji Trading and Projects)
Letsela Simon Moeketsi (Thabo Mofutsanyane Football Academy, Goodman Soccer Academy, Small Green Garden Centre, Lapoloha Restaurant)
George Joma (Luthando and Chechenta Service Provider)
Moletsane Morakane Miriam (Keewave Trading 97, Feminity in Development, Superior Quality Engineering and Technologies 97, Thembalentswe Construction and Projects, Moletsane and Diale Service Providers)
Nhlapo Solomon Mokete (Kido Consultancy)

Managers

Directors

Nketoana Local Municipality

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51. Related parties (continued)

Mazi Mwandile Penwel (Nthape IT, Mamampu Trading Enterprise, Mzwajo Project Management Services)

52. Change in estimate

Property, plant and equipment

The useful lives of all types of property, plant and equipment were reviewed and adjusted in 2016. Estimating the effect in future periods is impracticable.

Intangible assets

The useful life of intangible assets was estimated in 2015 to be 3 years. In the current period management have revised their estimate to 4 years. Estimating the effect in future periods is impracticable.

53. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated comparative amounts in terms of GRAP 3 -Accounting policies, Changes in Estimates and Errors:

Management of Nketoana Local Municipality, while preparing the annual financial statements for the year ending 30 June 2016, made corrections to last year's *service charges* and *consumer* accounts. These corrections were treated as prior period errors and amounted to R 412 225 (R 619 820 exchange, R - 207 595 non-exchange). The correction of consumer accounts resulted in an increase in the provision for bad debts. This increase amounted to R 50 237.

Management also revised the methodology for the impairment of consumer debtors. The change in methodology was retrospectively applied to the impairment provision calculations and resulted in prior period restatements amounting to R 30 392 861 (R 17 559 946 exchange, R 12 832 915 non-exchange). The updating of the methodology and accompanying impairment provisions in an increase in the *debt impairment* in the statement of financial performance. This increase amounted to R 30 392 861.

While preparing the annual financial statements for the year ending 30 June 2016, management also impaired receivables to provide for the possible non-collection of these *receivables from exchange transactions*. This provision was treated as a prior period error and amounted to R 11 022 326 affecting the financial performance and financial position.

In compiling the GRAP asset registers of Nketoana Local Municipality at the 2013/2014 year end, the asset consultant failed to include in the register all assets owned by the Municipality. The registers also incorrectly included assets not owned by the Municipality. Recently, the Municipality appointed a new asset consultant to correct omissions, duplications and overstatements in the asset registers with respect to current and prior periods. The financial statements of this year have been amended accordingly. The new asset registers required the following amendments to the prior period financial statements:

- Property, plant and equipment R 430 759 744
- Heritage assets R 529 800
- Intangible assets R 47 032
- Investment property R 5 760 957
- Depreciation and amortisation R 10 557 219
- Public contributions R 4 489 842

In 2013/2014 and 2014/2015 *petty cash* expenditure was incorrectly not recognised and resulted in overstated petty cash balances at year end in 2013/2014 and 2014/2015. The corrections resulted in a decrease in the comparative petty cash balance amounting to R 89 348.

Nketoana Local Municipality

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53. Prior period errors (continued)

The municipality's VAT consultants proposed corrections to balances and transaction in prior periods. The corrections included incorrect declaration of Output Tax on grant income and incorrect Input Tax declarations on salaries and other expenditure. The corrections resulted in an increase in *grant income* (R 3 780 518) and other smaller movements in income and expenditure (an increase in *finance costs* amounting to R 243 924). The VAT receivable (R 1 763 881) and VAT payable (R 2 810 355) were also amended.

In the prior year the amount transferred to revenue from MFMG receipts was understated as it did not include the 2014 unspent portion. This was corrected in the current year and resulted in an increase in *grant income* and an increase in *contracted services* of R 709 324.

In the prior year the *Actuarial gains/losses* were included in the *Employee costs*. The correction of the classification resulted in a decrease in the *Employee costs* and an increase in *Actuarial gains/losses* amounting to R 708 000.

In 2015/2016 the provision for the rehabilitation of landfill sites was retrospectively adjusted based on the reports issued by the consultant. These retrospective adjustments resulted in an increase in the *provision* amounting to R 3 891 317 and an increase in *finance costs* amounting to R 330 775.

In the prior year the municipality accounted for one of the departments' *employee related costs* (telephone allowances) under general expenses. This was corrected in the current year and the restatement amounted to R 3 762.

The municipality corrected the accounting for inter-departmental *service charges* and this resulted in a prior year restatement amounting to R 1 634 000. The correction had the same financial effect (R 1 634 000) on *general expenses*.

Statement of financial position

Consumer debtors	-	619 820
Consumer debtors	-	(17 559 946)
Receivables from exchange transactions	-	(11 022 326)
Receivables from exchange transactions	-	89 348
Receivables from non-exchange transactions	-	(207 595)
Receivables from non-exchange transactions	-	(12 832 915)
Cash and cash equivalents - petty cash	-	(89 348)
Investment property	-	5 760 957
Property, plant and equipment	-	430 759 744
Intangible assets	-	47 032
Heritage assets	-	529 800
VAT receivable	-	1 763 881
VAT payable	-	2 810 355
Provisions	-	(3 891 317)
Accumulated surplus	-	391 156 768

Statement of Financial Performance

Service charges	-	(2 367 384)
Interest received - trading	-	(27 523)
Grant income	-	(4 489 842)
Other income	-	39 444
Property rates	-	203 934
Employee related costs	-	676 093
Depreciation	-	(10 557 219)
Finance costs	-	574 699
Debt impairment	-	11 072 563
Debt impairment	-	30 392 861
General expenses	-	1 630 836
Contracted services	-	709 324
Actuarial gains/losses	-	(708 000)

Nketoana Local Municipality

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54. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and procedures for measuring and managing financial risks. Further quantitative disclosures are included in the annual financial statements.

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the municipality's internal audit function.

The municipality monitors and manages the financial risks relating to the operations of the municipal entity through internal risk reviews which analyse exposures by degree and magnitude of risks. These risks include the following:

- liquidity risk;
- credit risk; and
- market risk (including interest rate risk).

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The policies provide written principles on interest rate risk, credit risk and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade in financial instruments for speculative purposes.

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54. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's exposure to liquidity risk is as a result of the funds not being available to cover future commitments. The municipality manages liquidity risk through ongoing review of commitments.

The municipality has started to improve the cash funds available. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The municipality has not defaulted on payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

All of the municipality's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipality.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 349 442	1 486 713	4 460 141	5 327 390
Trade and other payables	166 025 279	-	-	-
Finance leases	181 599	467 740	-	-
At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 486 713	1 486 713	4 460 141	6 814 103
Trade and other payables	113 956 318	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management reviews credit risk annually when the impairment and discounting of receivables are performed. Risk control mainly assesses the payment patterns of the consumers.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Consumer debtors	17 708 530	15 822 490
Cash and cash equivalents	2 527 023	2 908 446
Receivables from non-exchange transactions	2 119 152	1 953 845
VAT receivable	1 763 881	1 763 881
Other financial assets	4 587 776	4 305 805

Market risk

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54. Risk management (continued)

Market rate risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. There has been no change, since the previous financial year to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

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54. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually at fixed rates. The municipality's exposures to interest rates on financial assets and financial liabilities are detailed below:

At year-end, financial instruments exposed to interest rate risk due to being linked to prime interest rate were as follows:

- Call and notice deposits/investments
- Current bank accounts
- Interest charged on consumer receivables from exchange transactions overdue

The municipality's interest rate risk arises from the above financial instruments being linked to the prime interest rate. The prime interest rate is used as a factor in calculating the interest received or interest charged on these financial instruments. Fluctuations in the prime interest rate during the year give rise to a possible interest rate risk affecting the municipality.

Interest charged on customers' account and or received from investment are calculated using the prime rate at the beginning of the financial year on a weighted average basis. Since this interest rate is only based on prime rate at one point during the financial year, fluctuations in prime during the year will not have a material effect on these financial instruments.

Fair values

The municipality's financial instruments consist mainly of cash and cash equivalents, investments, trade receivables, trade payables and long term debt.

No financial asset was carried at an amount in excess of its fair value. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received are capitalised.

Receivables from exchange transactions

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing loans

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	11.50 %	21 591 563	-	-	-	-

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54. Risk management (continued)

Cash in current banking institutions	- %	6 792 526	-	-	-	-
Trade and other payables - extended credit terms	- %	155 737 056	-	-	-	-
Long-term borrowings (DBSA)	- %	647 280	7 806 024	-	-	-
Long-term borrowings (Grainfield Chickens)	10.50 %	702 162	-	-	-	-

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Finance leases	16.75 %	181 599	467 740	-	-	-

Capital risk

Capital risk refers to the risk that an entity will lose the amount of an investment. An investor takes on capital risk each time an investment is made in anything other than a risk-free security. Capital risk is limited to the amount an entity has invested.

Financial instrument

VKB - Unlisted shares	5 000	5 000
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The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the market. The municipality's financial instruments are affected by the whole sale price of electricity from Eskom and water from the Department of Water Affairs.

55. Going concern

We draw attention to the fact that at 30 June 2016, the Municipality had a deficit for the year amounting to R 41 264 760 and that the municipality's current liabilities exceed its current assets.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The municipality's current financial health however indicates that a material uncertainty exists as the municipality may not be able to realise its assets and discharge its liabilities.

At 30 June 2016 the Municipality's current ratio was 0.4 to 1.0. The current ratio is a liquidity ratio that measures an entity's ability to pay short-term and long-term obligations. To gauge this ability, the current ratio considers the total assets of an entity (both liquid and illiquid) relative to that entity's total liabilities. (Current Ratio = Current Assets / Current Liabilities)

The Municipality's trade payables at yearend amounted to R 163 779 083. At R 99 407 396, the amount payable to Eskom accounts for more than 60% of the trade payable balance. During the 2015/2016 financial year management of Nketoana Local Municipality negotiated with Eskom via Provincial Treasury to arrange repayment of the outstanding balance over a 48 month term.

This and other arrangements with significant payables, strengthened the current ratio.

Management compiled a revenue enhancement strategy was approved by council. This strategy includes the collection of arrears via the prepaid electricity system; and termination, blocking or reduction of services due to non-payment.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

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56. Unauthorised expenditure

Opening balance	119 025 672	113 663 904
Current year	62 703 108	5 361 768
	181 728 780	119 025 672

2016

The current year expenditure relates to expenditure incurred for which there was no budget or for expenditure which was incurred after the budget had been depleted.

Please refer to the Statement of Comparison of Budget and Actual Amounts on page 13 for more information on the unauthorised expenditure.

57. Fruitless and wasteful expenditure

Opening balance	10 518 819	3 669 302
Current year - interest on overdue accounts	9 209 824	6 849 517
	19 728 643	10 518 819

The current year fruitless and wasteful expenditure relates to interest and penalties on overdue submissions and accounts.

Details of fruitless and wasteful expenditure

	2016 Interest on overdue accounts	2015 Interest on overdue accounts
Auditor-General	197 506	214 314
Eskom	8 476 824	6 342 295
Other suppliers	273 479	-
South African Revenue Services	262 016	292 908
	9 209 825	6 849 517

58. Irregular expenditure

Opening balance	95 612 995	69 434 069
Add: Irregular Expenditure - current year	8 674 311	26 178 926
	104 287 306	95 612 995

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Procurement and contract management	None	7 157 147
Car hire for mayor	None	160 500
Hiring of TLBs	None	1 356 664
		8 674 311

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	642 150	603 520
Amount paid - current year	(642 150)	(603 520)
Amount paid - previous years	(116 862)	-
	(116 862)	-

Contributions to organised local government consist of annual subscriptions paid to SALGA.

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Material distribution losses

Electricity	4 831 751	6 933 182
Water	5 907 654	8 645 601
	10 739 405	15 578 783

Bulk water losses	Kiloliter	Percentage (%)
2016	662 293	19
2015	1 066 042	26
	1 728 335	45

Distribution losses - Water

The water losses are mainly due to metering inefficiencies, burst pipes and leaks in the reticulation network. In the current year the water losses were 19% (2015: 26%).

kL - units	662 293	1 066 042
Percentage	19%	26%

Distribution losses - Electricity

In the current year the energy losses were 6.44% (2015: 10.57%). These losses are the result off theft, vandalism, faulty meters and variances in monthly consumption estimates. Management has determined that these losses are not recoverable.

kWh - units	3 393 560	5 463 500
Percentage	6.44%	10.57%

The electricity distribution loss comprises of technical and non-technical losses. The annual electricity distribution losses are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc.

Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. Technical losses are inherent to the supply of electricity via lines and is further affected by the condition and age of the network, the weather conditions and load on the system. The wires (copper or aluminum) being used to distribute electricity has certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution.

Audit fees

Opening balance	1 870 612	2 169 825
Current year subscription / fee	4 096 706	2 800 787
Amount paid - current year	(864 526)	(3 100 000)
	5 102 792	1 870 612

PAYE and UIF

Opening balance	-	620 308
Payable for the current year	10 045 688	9 026 045
Amount paid - current year	(10 045 688)	(9 646 353)
	-	-

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	-	1 476 776
Payable for the current year	15 965 432	15 718 392
Amount paid - current year	(14 951 129)	(17 195 168)
	1 014 303	-

VAT

VAT receivable	1 763 881	1 763 881
VAT payable	13 545 356	18 376 667
	15 309 237	20 140 548

VAT output payables and VAT input receivables are shown in note 20.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mabizela, DL	-	2 293	2 293
30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mosia, MJ	-	5 750	5 750
Radebe, TP	-	3 785	3 785
Semela, MS	-	4 198	4 198
	-	13 733	13 733

60. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	9 155 466	9 968 351
	9 155 466	9 968 351
Cash set aside for the repayment of long-term liabilities	-	(1 200 000)
	9 155 466	8 768 351

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

61. Deviation from supply chain management regulations

Deviations for the current year	841 605	2 771 125
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Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Nketoana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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61. Deviation from supply chain management regulations (continued)

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The following are the deviation amounts and reasons:

R 48 815

Three quotations were obtained for repairs to a TLB. All three quotes exceeded R 30 000 and the repair was needed urgently.

R 43 890

The residents didn't have access to water and the work had to be done urgently to restore the access to water for the residents.

R 38 070

Truvelo is the only service provider based within the area that is able and has the necessary capacity to maintain and service Truvelos.

R 46 033

Only one quotation received from accredited laboratory. Compliance monitoring must be done monthly according to DWA and Sanitation.

R 165 309

Only one quotation received from accredited laboratory. Compliance monitoring must be done monthly according to DWA and Sanitation.

R 198 000

There was a water crisis in Petrus Steyn due to shortage of raw water (little rainfall) and therefore the water tanker was needed urgently.

R 41 615

Urgent unblocking was needed as sewage ended up on the roads.

R 52 500

There was a water crisis in Petrus Steyn due to shortage of raw water (little rainfall) and therefore the water tanker was needed urgently.

R 33 920

There was a water crisis in Petrus Steyn due to shortage of raw water (little rainfall) and therefore the water tanker was needed urgently.

R 31 850

New Vaal Motors is the only service provider in the area that is authorised to service and repair Mercedes Benz vehicles.

R 45 117

The tipper truck was needed urgently to deliver water.

R 40 230

The residents didn't have access to water and the repairs had to be done urgently restore the access to water.

R 56 256

A TLB was needed urgently to dig graves.

Nketoana Local Municipality
Appendix A

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at Tuesday, 30 June 2015	Interest charged during the period	Repayments during the period	Balance at Thursday, 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa							
DBSA Loan @ 10,35%	61000275	6 889 345	722 850	380 980	7 231 215	-	-
DBSA Loan @ 9,09%	61000276	1 153 660	129 056	60 625	1 222 091	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		8 043 005	851 906	441 605	8 453 306	-	-
Bonds		-	-	-	-	-	-
Other loans							
Grainfield Chickens (Pty) Ltd		1 925 550	133 816	1 357 203	702 163	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		1 925 550	133 816	1 357 203	702 163	-	-
Lease liability							
Nashua (raised in June 2016)		649 339	-	-	649 339	632 142	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

**Nketoana Local Municipality
Appendix A**

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at Tuesday, 30 June 2015	Interest charged during the period	Repayments during the period	Balance at Thursday, 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		649 339	-	-	649 339	632 142	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
Total external loans		10 617 894	985 722	1 798 808	9 804 808	632 142	-

Nketoana Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts					Quarterly Expenditure				
	Jul	Sep	Dec	Mar	Jun	Jul	Sep	Dec	Mar	Jun
Equitable Share	33 552 000	-	25 087 000	21 400 000	-	-	33 552 000	25 087 000	-	21 400 000
MIG	7 381 000	-	9 296 000	7 956 000	-	-	7 381 000	9 296 000	7 956 000	-
MFMG	1 600 000	-	-	-	-	-	376 995	376 995	376 995	376 996
MSIG	930 000	-	-	-	-	-	232 500	232 500	232 500	232 500
EPWP	-	443 000	333 000	332 000	-	-	-	93 000	252 800	762 200
INEG	551 000	1 010 000	-	-	-	-	551 000	1 509 281	-	-
RBIG	-	6 608 160	12 636 515	9 445 409	4 481 322	-	6 608 160	12 636 515	9 445 409	4 481 322
LGSETA	141 640	-	-	-	-	-	141 640	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	44 155 640	8 061 160	47 352 515	39 133 409	4 481 322	-	48 843 295	49 231 291	18 263 704	27 253 018

Report of the Auditor General 2015/ 2016 Financial Year



Chapter 8

Component A: Report of the Auditor-General 2015/16

Report of the auditor-general to the Free State Legislature and the council on the Nketoana Local Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Nketoana Local Municipality set out on pages 315 to 417, which comprise statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of Grap), the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), the Division of Revenue Act, 2015 (Act No. 1 of 2015) (Dora) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Payables from exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as trade payables, due to the status of the accounting records. I was unable to confirm trade payables by alternative means. Consequently, I was unable to determine whether any further adjustment to trade payables stated at R155 737 055 in the financial statements was necessary.

Qualified opinion

7. In my opinion, except for the effect of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Nketoana Local Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of Grap and the requirements of the MFMA and Dora.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unauthorised expenditure

9. As disclosed in note 56 to the financial statements, the municipality incurred unauthorised expenditure of R62 703 108 (2015: R5 361 768). The unauthorised expenditure was the result of an improper budgeting process.

Irregular expenditure

10. As disclosed in note 58 to the financial statements, the municipality incurred irregular expenditure of R8 674 311 (2015: R26 178 926). The irregular expenditure was a result of the contravention of the supply chain management regulations.

Material losses

11. As disclosed in note 40 to the financial statements, material losses of R23 583 076 (2015: R50 796 221) were incurred as a result of a write-off of irrecoverable trade debtors.

Material impairment

12. As disclosed in note 7 to the financial statements, consumer debtors from exchange transactions were impaired by R299 214 761 (2015: R242 648 998) and, as disclosed in note 6 to the financial statements, receivables from non- exchange transactions were impaired by R20 368 866 (2015: R17 127 911).

Going concern

13. Note 55 to the financial statements indicated that the municipality incurred a net loss of R41 264 760 during the year ended 30 June 2016 and, as of that date, the municipality's current liabilities exceeded its current assets by R107 117 436. In addition, the municipality owed Eskom R99 407 396 (2015: R58 275 786) as at 30 June 2016, which is long overdue. These conditions, along with other matters set forth in note 55, indicated a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.

Restatement of corresponding figures

14. As disclosed in note 53 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of an error discovered during 2015-16 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

Significant uncertainties

15. As disclosed in note 50 to the financial statements, the municipality received claims of R17 887 901. The municipality is opposing these claims. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Additional matter

16. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

17. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Supplementary information

18. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Report on other legal and regulatory requirements

19. In accordance with the Public Audit Act, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on them.

Predetermined objectives

20. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected key performance areas presented in the annual performance report of the municipality for the year ended 30 June 2016
- Key performance area 1: water on pages xx to xx
 - Key performance area 2: sanitation on pages xx to xx
 - Key performance area 3: roads and storm water management on pages xx to xx
 - Key performance area 7: refuse removal on pages xx to xx
 - Key performance area 8: electricity reticulation on pages xx to xx
21. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned key performance areas. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).
22. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
23. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected key performance areas.

Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of key performance area 3: roads and storm water management. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

25. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, non-current assets, and expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, but the uncorrected material misstatement resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

- 27. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
- 28. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA.
- 29. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.
- 30. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Revenue management

- 31. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Human resource management

- 32. Job descriptions were not established for all posts in which appointments were made in 2015-16, in contravention of section 66(1)(b) of the Municipal Systems Act.
- 33. The municipality's annual report did not reflect information on compliance with prescribed minimum competencies, as required by the municipal regulations on minimum competency levels 14(2)(b).

Asset management

- 34. An adequate management, accounting and information system that accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
- 35. An effective system of internal control for assets, including an asset register, was not in place, as required by section 63(2)(c) of the MFMA.
- 36. Capital assets were disposed of without the approval of the council, as required by section 14(2)(a) of the MFMA.

Consequence management

- 37. Unauthorised expenditure by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
- 38. Irregular expenditure by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA and municipal budget and reporting regulation 75(1).
- 39. Fruitless and wasteful expenditure by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA and municipal budget and reporting regulation 75(1).

Compliance budget

40. Expenditure was in excess of the approved budget, in contravention of section 87(8) of the MFMA.

Procurement and contract management

41. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c).

Internal control

42. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

43. The leadership did not always take prompt and adequate action to address weaknesses in the finance and supply chain management directorate, which resulted in non-compliance with applicable legislation and gave rise to fruitless and wasteful, and irregular expenditure. Oversight provided by leadership was not adequate to prevent material irregular expenditure and to set the standard of sound corporate governance.
44. Deviations from the expected standards of conduct were not followed up to ensure that remedial or disciplinary action was taken in a timely and consistent manner. Internal controls were overridden, which resulted in high levels of irregular expenditure.
45. Consequence management was not effective as the council neglected to appoint a committee to investigate instances of unauthorised, irregular, fruitless and wasteful expenditure to determine whether any person was liable for the expenditure.
46. Key management positions were vacant during 2015-16. Management did not implement effective human resource management to ensure that competent and sufficiently skilled officials were appointed and that performance was monitored.
47. The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evident in management's failure to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause. This resulted in the previous year's audit findings recurring in the current year.
48. The leadership did not evaluate whether management had implemented effective internal controls by understanding how senior management met their responsibilities to ensure proper records management, maintain an asset register and prepare the annual financial statements.

Financial and performance management

49. There was a material breakdown of internal controls at the municipality. The monthly and daily controls were not implemented and monitored, which led to a weak control environment.
50. Compliance with legislation was not monitored regularly and non-compliance was not addressed in a timely manner, as management did not implement the action plan based on the previous year's findings.

Governance

51. The appointment of the head of internal audit as the acting chief financial officer hampered the productivity, reliability and independence of the work of the internal audit section.

Other reports

52. I draw attention to the following engagements that could potentially have an impact on the municipality's financial, performance and compliance-related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

53. Independent forensic auditors investigated, at the request of the bank, alleged fraudulent transactions that occurred between 22 and 25 October 2010 on two of the municipality's bank accounts. The bank indicated in a letter, Ref. 2030906 dated 2 August 2013, that they were not liable for the loss. Management did not take any action and no evidence could be provided of efforts by the municipality to recover the money or to follow up on the investigation since August 2013. The amount of R1 780 000 was not recovered.
54. The South African Police Service (SAPS) investigated alleged fraudulent procurement transactions that occurred between the 2009 and 2012 financial years. Supporting documentation was seized by the SAPS. The investigation commenced towards the end of the 2013 financial year and was still ongoing at the date of this report.

55. Case was opened with Directorate Priority Crime Investigation into alleged fraudulent procurement transactions between the 2014 and 2015 financial years.

Auditor General

Bloemfontein

30 November 2016



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Component B: Action plan: 2015/16

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	PROGR ESS OR STATUS	% COMP LETIO N	RESPON SIBLE PERSON
ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT							
Payable							
1. ISS.32 - CAF: 20: Payables: Age analyses does not agree to supplier statements (CAF 20)	Section 62(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) states that <i>the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. Contrary to the above requirement, based on audit work performed under trade payable differences were identified between the suppliers' statements and municipality's age analysis.</i> <i>Similar finding was raised in prior year; refer to the prior year management report paragraph 47 exception 140.</i> <i>Creditors' reconciliation is not performed on all suppliers and differences identified are not followed up between suppliers' statement and creditors listing.</i> <i>The balance of the trade payable to the financial statement might be overstatement by R22 635 483.62 which could result in a projected error of R24 046 327.29</i>	Financial and performance management: Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management should ensure that creditors' reconciliation is performed for all suppliers and reviewed by a senior official. They should also ensure that differences identified are followed up and supported by appropriate evidence.	Management agrees with most of the items in the finding. Prior to receiving this communication management had already started investigating differences between the MUNSOFT age-analysis and the actual supplier statements. • Management found that there are audit adjustments on the MUNSOFT system (which was processed in the prior years to correct balances and clear findings) which went to the control account and not to the individual supplier accounts. Management has requested assistance from MUNSOFT in this regard. • Management also found that for the two major suppliers/service providers (ESKOM/AG) there were difference other than MUNSOFT's control account and these have been quantified as well.	In progress	CFO	

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	PROGRESS OR STATUS	% COMPLETION	RESPONSIBLE PERSON
2. ISS.36 - CAF: 22: Accruals: Amount as per the listing does not agree to the AFS (CAF 22)	Section 122(1) (a) of the MFMA states that Every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year. During the testing performed on accruals, it was identified that the total amount as per the accruals listing received from management does not agree to the amount disclosed in the annual financial statements.	Lack of management oversight to ensure that a proper reconciliation is done between the figures disclosed in the annual financial statements and the schedules supporting the figures in the annual financial statements. Financial and performance management: Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	It is recommended that: • Management implements a process of ensuring that reconciliation is performed between the schedules supporting the annual financial statements and the annual financial statements before the financial statements are finalized. • Management investigates the identified differences and make proper adjustments in the annual financial statements.	Management agrees with the finding. The differences have been investigated and management found that the accrual listing included payables which were not accounted for on the age-analysis (e.g.. AG) and so assisted in clearing communication 21 differences. Management scrutinized the whole payable population to look for additional misstatements and made the necessary corrections. The updated accrual listing total amounts to R 2 027 239.17 Differences between the ledger total and the listing total relate to 2013/2014 accruals which were not removed from the ledger in the correct year. The current accrual balance in the ledger will be reversed and the 2015/2016 accrual listing will be added to the ledger.	In progress		CFO
3. ISS.42 - CAF: 30: Payables: Suppliers not paid within 30 days (CAF 30)	Section 65(2)(e) of the Municipal Finance Management Act(No. 56 of 2003) states that the accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.	Contrary to the above mentioned requirement, on calculating the number of days from invoice receipt date and invoice payment date it was noted that creditors were not paid within 30 days of receipt of invoice.	This is due to the fact that the municipality has financial constraints. Non-compliance with S 65(2) of the Municipal Finance Management Act. Possible fruitless and wasteful expenditure as the municipality may incur interest or penalties on late payments. Financial and performance management: Management did not review and monitor compliance with applicable laws and regulations.	It is recommended that: • Management implements a process of ensuring that there are funds available to pay the suppliers in a timely manner.	In progress		MM; CFO

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	PROGRESS OR STATUS	% COMPLETION	RESPONSIBLE PERSON
4. ISS.43 - CAF: 27: Accruals: Amounts tested do not agree to the supporting documentation (CAF 27)	Section 62(1)(b) of MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. Contrary to the above it was noted during the testing performed on the accruals that the supplier statements or invoices do not agree to the balance as per the accrual listing. Accruals are misstated with an amount of R1 338 660.75 The projected overstatement amount to R3 838 234.78	Management does not perform reconciliations on a regular basis and follow up on reconciling items. Financial and Performance Management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	It is recommended that: • Management implements a proper process of ensuring that reconciliations are performed on a regular basis and differences identified are followed up in a timely manner. • Management should investigate the issues identified and adjust the annual financial statements accordingly.	Management agrees with the finding. The differences have been investigated and management found that the accrual listing included payables which were not accounted for on the age-analysis (e.g. AG) and so assisted in clearing communication 21 differences. Management scrutinized the whole payable population to look for additional misstatements and made the necessary corrections. Differences between the ledger total and the listing total relate to 2013/2014 accruals which were not removed from the ledger in the correct year. The current accrual balance in the ledger will be reversed and the 2015/2016 accrual listing will be added to the ledger.	In progress		CFO

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	PROGRESS OR STATUS	% COMPLETION	RESPONSIBLE PERSON
5. ISS.44 - CAF: 31: Accruals: Amounts included in the accruals balance relate to the period after year end (CAF 31)	Section 122(1) (a) of the MFMA states that Every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year. During the testing performed on accrual, it was identified that suppliers balance reflected on the list of accruals relate to the period after year end and there is no evidence to prove that goods and services were delivered before year end. The amount of accruals is misstated by R718 071.48 in the annual financial statements. The projected misstatement amount is R2 058 868.86	Creditors' reconciliation is not performed on all suppliers and differences identified are not followed up between supplier statements and creditors listing. Financial and performance management: Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	It is recommended that: • Management implements a proper process of ensuring that reconciliations are performed on a regular basis and differences identified are followed up in a timely manner. • Management should investigate the issues identified and the entire population of accruals and adjust the annual financial statements accordingly.	Management agrees with the finding. The differences have been investigated and management found that the accrual listing included payables which were not accounted for on the age-analysis (e.g. AG) and so assisted in clearing communication 21 differences. Management scrutinized the whole payable population to look for additional misstatements and made the necessary corrections. The updated accrual listing total amounts to R 2027239.17 Differences between the ledger total and the listing total relate to 2013/2014 accruals which were not removed from the ledger in the correct year. The current accrual balance in the ledger will be reversed and the 2015/2016 accrual listing will be added to the ledger.	In progress		CFO
Procurement and Contract Management							

HEADING	FINDING	ROOT CAUSE/INTERNAL CONTROL DEFICIENCY	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	PROGRESS OR STATUS	% COMPLETION	RESPONSIBLE PERSON
6. ISS.34 - CAF: 26: Procurement and contract management - Competitive bids advertised (CAF 26)	Section 22(1) of the SCM regulations (Public invitation for competitive bids) stipulates. The procedure for the invitation of competitive bids, are as follows: (d) (i) the information contained in a public advertisement, must include- the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy; Furthermore section 23(2) of the supply chain management policy states that: The Municipal Manager may determine a closure date for the submission of bids which is less than 30 or 14 days requirements, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process. Contrary to the above mentioned requirement, on inspection of the advert date and closing date of submitting the tender documents as stipulated on the advert it was identified that the bid No. 140/2016 was not advertised for at least 30 days.	Management did not review and monitor compliance with applicable legislation.	Management should ensure adherence to the applicable legislation.	Management agrees with the findings, management will make sure that all the transactions above R10 million are advertised for 30 days to avoid irregular expenditure.	In progress		CFO
ANNEXURE B: OTHER IMPORTANT MATTERS							

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7. ISS.121 - ISA Findings: INFORMATION TECHNOLOGY GOVERNANCE	Key audit findings with regard to design and implementation of controls: - Although the municipality has established an Information & Communication Technology (ICT) steering committee and Terms of Reference for the committee, the meetings scheduled to take place every quarter have not taken place during the period under review. Furthermore, the formal appointment letters for the ICT steering committee members could not be provided for audit purpose. - Service level agreements (SLAs) for key Information Technology (IT) service providers namely; Soft line, Munsoft, ITNA, Tshukudu and Contour Technologies were inadequately documented as they did not address performance monitoring. This resulted in the municipality failing to monitor the performance of service providers to ensure that services were delivered in line with agreed upon service levels. In addition, the SLA for Contour Technologies which provides application support for the prepaid electricity vending system was still in draft format. - Responsibilities of an Information Security Officer (ISO) have not been defined and delegated to a specific person. - Although the municipality had developed and implemented the Integrated Development Plan (IDP) that gives an overall framework for development and co-ordinate the work of local and other spheres of government in coherent plan to improve the service delivery for the people in the community, during the review it was noted that the IT projects and budgets were not identified within the municipality's IDP.	Leadership – Information Technology Governance - Lack of commitment from committee members as meetings are not prioritised - Since the resignation of the former legal service manager; the municipality has not had the financial resources to attract a suitable candidate. The municipality is in the process of finalising the appointment of the legal services manager who will assist in the management and updating the municipality's SLA's. - Slow responses by management to address audit findings due to the IT department projects are not prioritised. - Financial constraints as the municipality are unable to appoint an ISO. - Lack of communication between IT	Management should ensure that scheduled meetings are taking place as per the Terms of Reference for the committee. Attendance should also be strictly monitored to ensure that the ICT steering committee is functioning as intended at the municipality. Members of the ICT steering committee must sign formal appointment letters to confirm they assume formal responsibility and accountability. The municipality's Human Resources (HR) should finalise the process of appointing the legal services manager. As soon as the official has been appointed, he/she should develop addendums for the identified inadequate SLAs and ensure that they are agreed with the service providers and approved. Vendors should submit performance reports monthly and they should be reviewed by the IT officer and any deviations from agreed upon standards should be followed up on. The CFO and Director: Corporate Services should define the roles and responsibilities of the ISO. An official appointment letter that clearly defines these roles and responsibilities should be signed by the official to formally assume these duties. Management should define all IT department projects plans and allocate budget that should be included within Integrated Development Plans and submit to IDP development department. Once the plans are defined within the approved IDP by council, IT department should therefore take responsibility to achieve the projects as defined in the plan.	Agree with the finding, management that the IT steering committee is functional and schedule of the IT steering committee is circulated to managers, service provider will be appointed to address all IT service level agreement, when the municipal funds improve the municipality will hire the IT security officer and that projects were not populated on the IDP due to the fact that there were cash flow problems	In progress		MM; CFO

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		department and IDP development team to ensure that IT projects plans are submitted to be included within the municipality's IDP.					

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8. ISS.122 - ISA Finding: SECURITY MANAGEMENT	1) Although the municipality has approved the IT related policies that are in place at the municipality, a number of weaknesses surrounding security were identified that were not addressed by the policies in place. • In addition the following deficiencies were noted: • Although a patch management policy was in place to provide guidance on patch management, patches were not being performed on the municipality's operating system. • Antivirus logs are not periodically monitored. • Inadequate managed of firewall • Lack for formal user access controls. Firewall logs were not reviewed and signed off during the period under review. • The Munsoft password settings were not configured to enforce password complexity. • The VIP Payroll password settings were configured to enable password complexity, this function was overridden since the "allow password to be the same as the user name" setting was enabled. • Windows audit configuration settings were not defined in the municipality's IT security policies and procedures and this resulted in the audit trail settings on Active Directory (AD) not being adequately configured. In addition there were no evidence showing that IT security violations or failed attempted access on the network perimeter were being monitored or reviewed on a regular basis	Internal control deficiency Financial and Performance Management – Information Technology Systems • Slow responses by management to address audit findings due to the IT department projects are not prioritised. • Due to understaffing, the IT officer was not able to prioritise resolving weaknesses identified in the previous audit. Non adherence to guidance provided. The IT officer provided guidance to the VIP Payroll and Munsoft system administrators on how to rectify the weaknesses identified on the password settings for these systems; however the system controllers did not update these settings.	Management should update the existing policies and procedures to ensure that they address the following essential security elements at a minimum: • Firewall procedures • Antivirus policy and procedures • Operating system baselines for the Windows systems • Security training and awareness; and • Security monitoring The policies and procedures should be finalised, approved and implemented. The policies should be widely communicated throughout the municipality in order to create the necessary awareness within the municipality. Management should update the IT policies to include a process for the review of security and logon violations. The process should entail developing a checklist whereby the IT officer pulls out reports from the firewall on a periodic basis to check if there were any attempted intrusions and follow up on any exceptions identified. Once all follow ups are done the report must be submitted to the CFO for final sign off. Management should ensure that the VIP Payroll and Munsoft system administrators adhere to the guidance provided by the IT officer in rectifying the weaknesses in password settings on these systems. The password complexity should be enabled on Munsoft and the "allow password to be the same as the user name" setting on VIP Payroll should be disabled	Management agrees with the finding, will ensure that the IT security officer posts is filled to address the IT related policies and procedures, will procure active directory auditing software to monitor all IT related audits/Trails, will delegate three officials to be system administrators in-house.	In progress		MM; IT Officer

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9. ISS.123 - ISA Finding: USER ACCESS CONTROLS	The user account management policy was inadequately documented as it did not include the important user account management aspects. Periodic monitoring and review of administrator/super user accounts (accounts with user administrator privileges) • User access rights on the Munsoft and VIP Payroll systems were not reviewed periodically to ensure that they are still commensurate with users' job responsibilities. • Periodic monitoring of system controller activities on the application systems regarding user account management was not being performed. • There was no standard naming convention for the creation of users on the municipality's application systems. As a result; we identified user accounts that could not be linked to specific users on the AD (six users) and Munsoft system (Five users). • There is an approved dormant account policy that requires accounts to be investigated and disabled if they have not been accessed in more than two (2) months. In addition; fifteen (15) accounts had not been accessed in more than 90 days some dating as far back as 2011 on Munsoft and one. Furthermore; twenty two (22) administrator accounts were found on Munsoft. These administrators were supporting eighty two (82) • During the review the evidence below was not provided to the auditors to verify the user access management on VIP, MUNSOFT and AD:• Termination list on AD, VIP and Munsoft. • Access profile reports for all users on Munsoft and VIP application systems. • Password configurations screenshot AD, VIP and Munsoft. • Activity user list AD and VIP	Financial and performance management - Information Technology Systems • Slow responses by management to address audit findings due to the IT department projects are not prioritised. • Lack of a standard naming convention policy to guide system administrators • The CFO did not prioritise addressing the weaknesses identified in the previous audit • Noncompliance to the Dormant account policy in place	Management should amend the IT policy to include adequate user account management policy procedures that indicate the following: • Unique user ID and standard naming convention, • Dormant/inactive accounts, • Periodic checks to ensure employees' access is commensurate with their job responsibilities • Periodic monitoring and review of administrator/super user accounts(accounts with user administrator privileges) and • Termination of user access. Management should ensure that a review is performed on the Active Directory and Munsoft systems to identify all the accounts that are not linked to specific users. These accounts should be renamed to indicate the users that are using them. In addition; the IT policy which includes the user account management policy should be amended to indicate the standard naming convention to be adhered to at the municipality. The CFO should ensure that system controllers adhere to the approved dormant account policy in place which provides guidance on how dormant accounts should be handled at the municipality. Management should ensure that the number of administrators on VIP Payroll should be reduced to at least two, whereby only one account will be the main administrator and the other one is a backup in case the main one is not available given the number of users supported. Munsoft consultant user accounts should be disabled and consultants given temporary access on a need basis.	Management agrees with the finding, management will ensure that it addresses the general controls , proper IT controls will be implemented, management will ensure all dormant account are being disabled, that there is segregation of duties on the both the munsoft and VIP and that the municipality will ensure that all information is made available for audit purpose.	In progress		MM; IT Officer; CFO

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10. ISS.124 - ISA Finding: IT SERVICE CONTINUITY	Key audit findings identified: • The municipality did not have a Disaster Recovery Plan (DRP) to provide assurance that data processing operations can be regained effectively and in a timely manner, should a disaster render municipal systems non-operational. In addition there was no Disaster Recovery (DR) site. The municipality did not have backup procedures that give guidelines on the process around the performance and management of backups. If the municipality's DRP is not comprehensively documented, approved and implemented and a disaster recovery site is not in place it might not be possible to recover critical business operations in a timely in the event of a disaster or a disruption. If backup procedures are not comprehensively documented or some critical functions not performed e.g. backups are not run, there is an increased risk that in the event of a disaster or disruption, data may not be recovered successfully and business operations resumed timely.	Financial and Performance Management – Information Technology Systems • Financial constraints resulting in delays for the development of a BCP that should provide guidance and direction for an adequate DRP • Lack of a DRP to provide guidance for performing backups	Management should raise awareness to the municipality's management on how the lack of the BCP impacts the development of a proper DRP so that funds can be made available for the development of the BCP. Once the BCP is in place, a DRP that is aligned to the BCP should be developed. • The municipality should perform a Business Impact Analysis (BIA) to formally identify and priorities all critical data and operations on its networks and the resources needed to recover them should there is a major interruption or disaster. • The roles and responsibilities should be defined which include the contact list pertaining to critical staff members, contact information, suppliers and key business processes. Furthermore, focus should be given on items specified as most critical in the IT continuity plan to build in resilience and prioritise the recovery solutions. Response and recovery should be in line with prioritised business needs, and complying with regulatory and contractual requirements. Resilience, response and recovery requirements for different tiers, for example, one to four hours, four to 24 hours, more than 24 hours and critical business operational periods should also be included in the BCP. Regular training sessions regarding the procedures and roles and responsibilities in case of an incident or disaster should be conducted. Actions should be planned to ensure IT recovery and resumption of services. DRP should form part of the enterprise-wide BCP and should be approved by management and should be tested and/or updated on an annual basis.	Management agrees with the finding, management will ensure that IT related recovery and business continuity is developed, that IT related recovery and business continuity is developed.	In progress		MM

